

Boost for Indo-US Ties

Guest Column

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As the Obama Administration transitions to a new foreign policy team, the "full embrace of India's rise", as declared by National Security Advisor Thomas Donilon, will hopefully remain central to US policy. From India's economic promise to its strategic potential in Asia, there is good reason for the US to sustain its "strategic bet on India's future", a wager famously placed by former Secretary of State Hillary Clinton during her tenure. A realistic but sustained new roadmap for advancing economic relations may hold the key to imparting fresh momentum to bilateral ties in 2013 and beyond.

The US is already India's leading partner for trade, investment, jobs and technology. Trade in goods and services exceeded \$100 billion in 2012, and our business chambers believe raising this to \$500 billion by 2020 is a distinct possibility. Rising investment flows from both sides are creating jobs and expanding opportunities for technology and innovation driven collaboration. A bilateral investment treaty (BIT), which is under negotiation, can aid these trends and be a starting point of this roadmap.

Both India and the US currently face the tough task of undertaking economic reforms. In India, macro-economic stress and setbacks to the investment climate have slo-

wed 2012-13 GDP growth to around 5%. There is urgent need to pursue foreign direct investment (FDI) liberalisation and harness investments, both domestic and foreign, to inject 'animal spirits' into the economy. Finance minister P Chidambaram has forcefully argued that without growth, India will remain an "underperforming" nation, constrained in its ability to provide greater public welfare or to defend national security. We applaud his determination to restore a higher growth trajectory.

The key to boosting investment in the Indian economy and making progress on an India-US investment treaty is to establish the predictability of India's regulatory and taxation regime. As India reviews its bilateral investment agreement model, it should take into account the critical importance of economic openness and investor protection. With pragmatic adjustments on both sides, a customised India-US BIT is both desirable and doable.

As BIT negotiations advance and India's economic liberalisation progresses, India and the US can gradually begin consideration of a future

free trade agreement (FTA).

India is lagging behind in terms of the quality and utilisation of its FTAs. Only 18% of India's trade is with FTA partners, as against 40% for the US and 74% for the EU. By concluding higher standard FTAs, India can enhance its role in shaping the rules of globalisation and incentivise its businesses to invest in quality, technology and scale. A combination of domestic reforms and greater harmonisation with global markets will yield major welfare gains for India's economy.

In its first term, the Obama administration has not pursued any new FTA initiative apart from the Trans Pacific Partnership (TPP). If India successfully concludes its Broad-based Trade and Investment Agreement (BTIA) with the EU, there should be an added motivation for the US to move forward on an FTA with India.

With a recently re-elected administration in Washington and signs of a recommitment to economic reforms by the government in New Delhi, the timing is right for reframing bilateral trade and investment relations. So, we propose the two countries

consider establishing an ambitious, 10-year "New Framework for India-US Economic Cooperation".

This framework could be issued as a joint statement at this summer's US-India strategic dialogue in New Delhi, and set out a detailed agenda for the two countries to pursue, starting with the conclusion of a high-standard BIT in 2013; prioritising the Infrastructure Debt Fund; moving ahead with sectoral agreements and regulatory reform; and potentially culminating over the longer term horizon in a full-fledged FTA.

Other desirable elements of the framework could include addressing the long-standing concerns of India's information technology (IT) services sector; revising the bilateral Trade Policy Forum (TPF), restoring cooperation at the WTO and intensifying dialogue on the Asian economic architecture.

In both democracies, there is a need to generate public support for trade liberalisation. While patience and realism are in order, high-level political direction to bilateral economic relations is essential. Deepening the India-US economic partnership will improve investor confidence, unlock the full potential of our trade and commercial ties, and boost economic growth in both countries. Most of all, their peoples would stand to gain from a future of shared prosperity.

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A realistic, sustained new road map for economic ties may be key in the future
With pragmatic adjustments, a customised India-US BIT is both desirable and doable
This should culminate eventually in a full-fledged Free Trade Agreement



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