



**U.S.-INDIA BUSINESS COUNCIL**

**THE WAY FORWARD – A BRIGHT HORIZON**

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**USINDIA** BusinessCouncil

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#### Order Information:

U.S.-India Business Council  
c/o U.S. Chamber of Commerce  
1615 H Street, N.W.  
Washington, D.C. 20062-2000  
Telephone: 202.463.5679  
Fax: 202.463.3173

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**Letter from Hon'ble Prime Minister of India  
Dr. Manmohan Singh**



**Prime Minister  
New Delhi : December 22, 2006**

Dear Mr. Kaye,

I have seen your letter of 8<sup>th</sup> December in connection with the passage of the legislation in the US Congress relating to the US-India civilian nuclear agreement.

The US-India Business Council has played a stellar role in generating a widespread and deep understanding of the need for greater cooperation between the United States and India and the importance of having bipartisan support for this important legislation. The cooperation that is likely to flow out of this agreement is likely to be beneficial to both countries and in the long run, can be the basis for meeting the long-term energy requirements for India on a sustainable basis.

I would like to place on record my appreciation for the role played by the US-India Business Council and hope that you would continue to work for greater cooperation between the peoples of our two great democracies.

With best wishes,

Yours sincerely,

  
(Manmohan Singh)

Mr. Charles Kaye  
Chairman  
US-India Business Council  
1615 H Street NW  
Washington DC-20062





# Foreword

## U.S.-INDIA BUSINESS COUNCIL

### "The Way Forward – A Bright Horizon"

When two democratic nations establish an equal partnership based on trust and mutual respect, the possibilities are truly limitless. This past year witnessed one of great achievements in U.S.-India relations – one that will shape the economic destiny of the 21<sup>st</sup> Century.

The legislative passage by the U.S. Congress of the Henry Hyde U.S.-India Peaceful Atomic Energy Cooperation Act was a historic zenith in U.S.-India relations. This achievement as envisioned by Prime Minister Manmohan Singh and President George W. Bush in their Joint Statement of July 18, 2005 was a fitting tribute to the possibilities that may arise when partners engage in meaningful collaboration.

The U.S.-India Business Council dedicated considerable resources in 2006 to ensure broad bipartisan support of the Hyde Act, for which we are grateful. But passage of the Hyde Act is only part of the USIBC story.

Looking back to that sultry July day in 2005 when Prime Minister Manmohan Singh was greeted on the White House lawn by President George W. Bush, we must remember that the Joint Statement issued by these leaders called for much more than civilian nuclear cooperation. There was agreement to work towards greater trade and investment, to engage more fully in transfer of scientific knowledge and technology – especially in agriculture, defense, and commercial space – to collaborate in the fight against pandemics and HIV/AIDS, and to build confidence worldwide in the just principles of free-market democracy.

With the support of USIBC's more than 250 member-companies, USIBC – over the past one year – has organized more than a thousand events, missions, and roundtables to advance these worthy objectives.

Today, USIBC stands as the premier business advocacy organization whose purpose is to deepen two-way trade and expand U.S.-India commercial ties. USIBC is proud to have executed successful advocacy initiatives across virtually every sector.

The first half of 2007 has born witness to the fruits of our collective labor – literally! We have welcomed the arrival of Indian mangoes to U.S. soil for the first time in 18 years.

From a purely economic perspective, U.S. companies invested in India have never enjoyed greater success and profits. The Indian economy is barreling ahead at a GDP growth rate greater than 9%. Indian companies – with new-found confidence – are making bold outward investments – acquiring world-class assets around the globe. And, the U.S. and India are on the verge of major defense cooperation. Parallel to all this – the world's two largest free-market democracies continue their ongoing joint efforts – as true partners – combating terrorism, stemming human trafficking, and

thwarting international narcotics smuggling wherever these scourges exist. The U.S.-India partnership has never been stronger.

USIBC – in support of these efforts – has launched bold, new initiatives that embrace a "flatter world" economy, vigilantly supporting the benefits of global sourcing. We have forged strong partnerships to bolster intellectual property protections throughout India's vast pharmaceutical and entertainment industries. A major "Green India" campaign is underway, which will address India's energy security imperatives, while tackling issues of environmental protection, waste management, and conservation of resources – particularly focusing on water. USIBC is proud to have formed a Coalition for Healthy India that will promote innovation and research & development, as well as access to better public health care. We continue to advocate for peaceful and safe civilian nuclear cooperation. And USIBC's Free Trade Initiative is focused on achieving greater two-way trade and investment, with the goal of doubling two-way trade over the next two years and setting the stage for a Free Trade Agreement between the U.S. and India that will set a new standard for world commerce and global economic exchange.

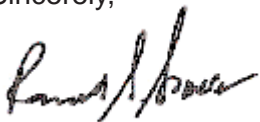
The objectives and deliverables outlined in this booklet are the guideposts and milestones for a journey already begun – a journey that for some USIBC-companies began decades back, but for many started only at the dawn of India's economic opening just 16 years ago.

The intention of this booklet is to identify measures that will propel continued economic successes – with the benefit accruing to the citizens of both our countries. Such a science is never exact, and most certainly is never easy. We hope with your continued support USIBC's efforts towards this worthy goal will set a shining example and, in the words of John F. Kennedy, this "glow can truly light the world."

Formed in 1975 with the objective to unleash the spirit of enterprise inherent in the private sectors of both our countries, the U.S.-India Business Council, comprised of both American and Indian companies, invites your participation in this epic journey – which promises to be a rewarding adventure that will align two great democracies for the 21<sup>st</sup> Century.

Congratulations to you all on this auspicious occasion of India's 60<sup>th</sup> year of Independence, and USIBC's 32<sup>nd</sup> Anniversary.

Sincerely,



Ronald S. Somers, President  
U.S.-India Business Council

# I. TO FOSTER GREATER ECONOMIC ENGAGEMENT

## TRADE

The U.S.-India Business Council (USIBC) has made U.S.-India trade and investment its top advocacy priority for 2007. In doing so, we are acutely aware of the delicate stage of the WTO Doha Development Round and the pivotal role being played by the U.S. and India in these negotiations. While strongly supporting a favorable outcome for the Doha Development Round, the USIBC is determined to dedicate its considerable energy and resources to deepening U.S.-India trade, to identify and remove barriers on both sides, clearing the way for a new era of trade cooperation.

In the near-term, USIBC is working to eliminate some of the roadblocks and impediments hampering the trade relationship. We fully adopt the goal announced during President Bush's 2006 visit to India of doubling U.S.-India trade.

## DELIVERABLES

- ◆ Launch the USIBC Free Trade Initiative, which aims to set the course towards a Free Trade Agreement between the U.S. and India by preparing a roadmap for trade liberalization – taking into account success or failure of the Doha Round, and leveraging USIBC's participation in the Private Sector Advisory Group (PSAG) of the U.S.-India Trade Policy Forum
- ◆ Support accommodation between the U.S. and India to achieve agreement on the WTO Doha Development Round
- ◆ Seek to remove India from the Special Section 301 Priority Watch List
- ◆ Retain Generalized System of Preferences (GSP) treatment for sensitive sectors
- ◆ Facilitate imports of Indian mangoes to the U.S. and support entry to India of heavy motorcycles
- ◆ Work to eliminate non-market barriers which hinder U.S. firms that are allowed 100% FDI from achieving that goal
- ◆ Advocate more liberal Indian implementation of the Information Technology Agreement
- ◆ Advocate lowering of duties on agricultural products not produced in India, crude soybean oil, cameras and other electro-optics, and small electricity generators
- ◆ Support the activities of the CEO Forum
- ◆ Participate in all activities of the U.S.-India Trade Policy Forum
- ◆ Participate in all activities of the U.S.-India Commercial Dialogue
- ◆ Advocate measures on both sides that will serve to increase U.S.-India bilateral trade

## AGRICULTURE

Following the lead of the U.S.-India Joint Statements of July 18, 2005, and March 2, 2006, both governments have made it clear that agriculture is a primary area for cooperation. The U.S.-India Agricultural Knowledge Initiative has been launched with a three-year financial commitment to link our universities, technical institutions, and businesses to support agriculture education, joint research, and capacity building projects including in biotechnology.

USIBC seeks to promote technology transfer, investment, and policy reforms that will lead to greater agricultural productivity, beckoning the second "Green Revolution" in India.

### DELIVERABLES

- ◆ Work to lower U.S. and Indian tariff and non-tariff barriers affecting trade in fresh fruits and vegetables, poultry, dairy products, almonds, and pistachios
- ◆ Seek reduction of customs duties on processing equipment and related goods
- ◆ Elevate receptivity in India to genetically modified agriculture products
- ◆ Advocate liberalization of the agri-chemical licensing process
- ◆ Work with state governments and private industry to modernize India's food processing and supply-chain management for agriculture to ensure that more product makes it to market
- ◆ Ensure the successful entry to India of efficient retail distribution as a means to bolster infrastructure development of India's agricultural supply chain
- ◆ Advocate market-based pricing of inputs such as fertilizer and seeds and product outputs
- ◆ Assist California firms and other U.S. companies in identifying key market opportunities
- ◆ Identify key public-private partnership (PPP) opportunities for USIBC members
- ◆ Monitor and apprise members of key agricultural marketing law reforms such as those in the Agriculture Produce Marketing Act (APMA)
- ◆ Initiate a study on the potential of new agricultural jobs associated with the introduction of new processing facilities in such key regions as Punjab, Haryana, and West Bengal where cultivation levels cannot be sustained
- ◆ Support adoption of measurement standards consistent with international best practices
- ◆ Promote technology transfer, greater productivity, and raising the profile of opportunities for investment in India's agricultural sector
- ◆ Advocate removal of restrictions on private investment in agro and food processing activities
- ◆ Increase private sector involvement in meetings of the U.S.-India Agriculture Knowledge Initiative
- ◆ Host a briefing by the U.S. Secretary of Agriculture on progress made between the U.S. and India on issues affecting bilateral trade in agricultural products
- ◆ Increase agriculture private sector involvement in U.S.-India Trade Policy Forum meetings

## INTELLECTUAL PROPERTY RIGHTS (IPR)

IPR protection is a major cross-cutting issue that affects virtually all sectors and is particularly important in entertainment, life sciences, information technology, and all phases of knowledge-based industries.

The USIBC is now in the second year of its National Chamber Foundation Intellectual Property Rights initiative. We are carrying forward a strong program in regard to India IPR as well as participating as a member of the U.S. Chamber of Commerce's Coalition Against Counterfeiting and Piracy. Both USIBC activities seek to raise awareness, identify stakeholders, build coalitions, bolster IPR enforcement and protection, and emphasize the benefits of strong IPR protections to constituents in both countries.

The USIBC has founded the "Bollywood-Hollywood Initiative" to bring together U.S. and India stakeholders in our vast entertainment sectors, focusing on issues of mutual concern such as piracy and counterfeiting. USIBC has joined with the Federation of Indian Chambers of Commerce and Industry (FICCI) to implement the Bollywood-Hollywood Initiative. USIBC has retained the professional support of Ernst & Young India to carry out a detailed study to quantify the impact to the Indian economy of the rampant piracy afflicting the Indian entertainment industry. On other fronts, USIBC has partnered with the Confederation of Indian Industry (CII) and George Washington University to launch programs aimed at building India's capacity to enforce IPR.

In 2008, USIBC will partner with CII to host the U.S. Chamber's Global Intellectual Property Forum.

### DELIVERABLES

- ◆ Implement the Bollywood-Hollywood Initiative by quantifying the impact to the Indian economy of counterfeiting and piracy in the Indian entertainment industry
- ◆ Support public interest anti-piracy advertising, the enactment of optical disc legislation, and cross-border enforcement
- ◆ Raise awareness about the black market exchange of pirated Hindi films here at home
- ◆ Advocate expeditious resolution of IPR Disputes; Support a Framework that promotes Alternative Dispute Resolution
- ◆ Encourage India to accede to and implement the World Intellectual Property Organization (WIPO) Internet Treaties, which will strengthen protection for digital works and modernize India's copyright laws
- ◆ Raise awareness with the general public about the dire consequences to public health by counterfeit drugs
- ◆ Protect innovation by informing the general public about the importance of supporting IPR specific to India's modernizing pharmaceutical industry
- ◆ Advocate for data protection for clinical trials
- ◆ Seek to ensure that all useful innovation is patentable; support transfer and licensing of publicly funded research

## TAXATION

Taxation can stifle growth. Nowhere is this more true than in regard to U.S. investment and global sourcing operations in India. Unfortunately, the expansive views of Indian tax authorities in such areas as "permanent establishment" and "transfer pricing" have resulted in a dramatic increase in the number of double taxation cases, and there are serious flaws in the process for resolving such disputes.

Additionally, the corporate tax regime undergoes major changes from year to year, with limited predictability. These shifts include the introduction and subsequent withdrawal of tax holidays for Software Technology Parks, the introduction of the Fringe Benefit Tax, and varying interpretations of India's domestic transfer pricing rules. Such shifts in tax policy make business planning difficult, and reduce India's attractiveness as an investment destination.

USIBC will continue to work with its Indian colleagues to produce an Indian tax regime and process that is predictable, balanced, and equitable. Taxation must not deprive investors of assurances received as incentives to investment and should not result in making U.S. investment and activities in India uneconomic.

### DELIVERABLES

- ◆ Advocate for adjustments in the application of "presence" so that foreign investments or activities are taxed consistent with international norms
- ◆ Seek to achieve adjustment in the application of "transfer pricing" rules so that transactions between related entities are not taxed unfairly
- ◆ Seek extension of the Software Technology Park tax holiday
- ◆ Work for a new tax circular that clarifies that income transfers from one foreign company to another are not subject to double taxation
- ◆ Withdraw excise duty and countervailing duty (CVD) on packaged software
- ◆ Consolidate service tax with excise duty

## FINANCIAL SERVICES & INSURANCE

Financial services and insurance are linked to infrastructure because (1) financial services and insurance are themselves a type of "soft" infrastructure underlying all economic activity and (2) financial services and insurance are key to the creation of long-term debt markets necessary to mobilize the massive financial resources needed for India's lagging "hard" infrastructure sector in such fields as urban development, transportation, power, telecommunications, and water.

Financial services must be regulated in ways that will enable the intermediation of capital flows according to market forces, while protecting the general public. Without such market-driven give and take, economic growth will be curtailed.

### DELIVERABLES

- ◆ Continue to press for the introduction of amendments to the Insurance Act to allow at least 49% Foreign Direct Investment (FDI), while removing agent commissions
- ◆ Work with the Reserve Bank of India (RBI) to develop world-class regulations for the introduction of mortgage insurance
- ◆ Remove the subjective caps in the legislation governing FDI, commissions and total holdings in the insurance industry, and give jurisdiction over those issues to the IRDA/Cabinet
- ◆ Remove the regulation banning banks from distributing insurance products of more than one insurance company
- ◆ Amend the banking regulations that limit foreign banks to 10% voting rights in Indian Banks, ensuring that voting rights are equal to FDI limits
- ◆ Press for the RBI to expedite the introduction of "national treatment" to foreign banks, allowing 100% FDI and unlimited openings of bank branches
- ◆ Continue to raise the visibility of the Manhattan India Investment Roundtable by hosting Government officials from Central and State Governments and business leaders
- ◆ Advocate acceleration of implementation of banking reform roadmap
- ◆ Advocate acceleration of cross border funding reform
- ◆ Advocate measures to treat non-bank financing companies in a manner commensurate with their operations and not as banks
- ◆ Advocate market-friendly guidelines on derivatives
- ◆ Advocate reduction of statutorily required solvency margins
- ◆ Advocate private foreign participation in pension provision including allowance of insurance companies to become pension fund managers and participate in the accumulation business
- ◆ Advocate amending the rules concerning corporate acquisitions
- ◆ Initiate a major study of the status of India's insurance sector 8 years after liberalization – demonstrating how this opening has generated employment and opportunity in all sectors
- ◆ Support the CEO Forum's Study on Transforming Mumbai Into a World-Class Financial Center – advocating reforms to bolster India's status as a global economic power

## COMMUNICATIONS

Communications infrastructure, including both broadband digital and telephony, is key to the development of a modern economy. Indian communications policies have achieved some outstanding successes. Among these are the rapid increase in the availability of mobile phone services and plans for broadband services throughout the country. However, in part because of earlier unsatisfactory experiences with the auctioning of telecommunication circles and regulatory difficulties, the participation of U.S. companies in communications infrastructure is not as robust as it could be. In spite of rapid progress, India's communications infrastructure still requires massive infusions of foreign direct investment to sustain the growth necessary for India to catch-up with and meet burgeoning demand.

USIBC is proud to have advocated for (and achieved) an increase in the foreign direct investment (FDI) cap from 49% to 74% in telecom services. We continue to support robust U.S. participation in India's dramatically successful telecom services sector.

### DELIVERABLES

- ◆ Promote continued transparency in government and private sector procurement of U.S. telecom technology

## TRANSPORTATION

For India to meet its transportation infrastructure needs massive FDI and private sector participation will be required. This presents an enormous opportunity. Models of public-private partnerships (PPPs) will need to be tested and proven to develop India's airports, ports, roads, and railways. These models must include guarantees against the political risks of changes in contracts and government levies. Development of viable models, demonstrating returns on investment, will need to be profiled and successfully promoted.

Air transportation is particularly crucial. USIBC seeks to support the Government of India's desire to develop "world class" cargo and passenger facilities consistent with the goals embodied in the historic U.S.-India "Open Skies" Agreement. The United States Trade and Development Agency (USTDA) and the Federal Aviation Administration (FAA) have entered into an Aviation Cooperation Program Memorandum of Agreement (MOA) with India's Ministry of Finance. This Program aims to address vital components of aviation development: landing rights and fees, airport development, security and safety standards, air traffic control capacity building, and pilot training. Regarding India's development of world-class cargo handling infrastructure, USIBC will advocate for India to resist protectionist measures such as the proposed Postal Bill that thwarts entry of private express carriers in India.

Railways are in need of upgradation to ensure safety and efficiency. The Ministry of Shipping will be encouraged to embrace the implementation of the National Maritime Development Policy with an eye towards active involvement of the private sector.

#### **DELIVERABLES (TRANSPORTATION)**

- ◆ Advocate for modification of key components of India's Postal Bill Act, including the 300 gram postal monopoly, 10% gross revenue tax, and 49% FDI cap. Ensure that the postal regulator is truly independent of the Postal Department
- ◆ Promote realization of the full potential of the USTDA/FAA's Aviation Cooperation Program MOA at the Ministry of Finance (which will address landing rights and fees, airport development, security standards, air traffic control capacity building, pilot training, etc.)
- ◆ Engage India's Ministry of Transport and Ministry of Finance to promote effective models of public-private partnerships in airports, ports, roads, and railways
- ◆ Support the conclusion of a bilateral Aviation Safety Agreement
- ◆ Promote continuation of tax exemption for aircraft leases
- ◆ Advocate in favor of significant infrastructure development of India's roads, airports, ports, as well as formulation of a socially responsible Special Economic Zone (SEZ) policy, the creation of a major Infrastructure Fund, and other complimentary policies
- ◆ Promote private participation in supply of aviation fuel, requiring rationalization of taxes and pricing policies
- ◆ Host India's Union Civil Aviation Minister and Union Transportation Minister

## II. TO SUPPORT ENERGY SECURITY & PROTECTION OF THE ENVIRONMENT

### CIVILIAN NUCLEAR COOPERATION

USIBC will continue to work towards full-scale U.S.-India civilian nuclear cooperation. This can only happen if governmental action takes place on both sides to enact the Henry J. Hyde U.S.-India Peaceful Atomic Energy Cooperation Act of 2006. The USIBC and its partners in the Coalition for Partnership with India are prepared to play a major role in advocating for the additional actions that are a prerequisite to the practical success of the Hyde Act. USIBC will continue to work with the governments and private sectors of both countries to achieve a successful conclusion of the Section 123 Agreement between the U.S. and India, to support an appropriate agreement between India and the International Atomic Energy Agency (IAEA) and to advocate for amendment of the Nuclear Suppliers' Group Guidelines, as well as advocate before the U.S. Congress and Executive Branch for the further approvals required under U.S. law to enable full-scale civilian nuclear cooperation, including approval and implementation in both the U.S. and India of the Convention on Supplementary Compensation. We intend to promote India-focused business opportunities in the various aspects of the commercial nuclear industry.

#### DELIVERABLES

- ◆ Brief Members of Congress and their staff about the importance of U.S.-India civilian nuclear cooperation
- ◆ Secure approval by the U.S. Congress of a mutually acceptable 123 Agreement between the U.S. and India
- ◆ Promote implementation of legal and regulatory reforms necessary to attract U.S. participation in the Indian commercial nuclear market
- ◆ Advocate for a Government of India Memorandum of Understanding and/or similar commitments that secure U.S. private sector participation in India's civilian nuclear energy industry
- ◆ Advocate for approval in the U.S. and India of the Convention on Supplementary Compensation
- ◆ Promote India-focused business opportunities in India's commercial nuclear industry; Host and support the USIBC-CII Civilian Nuclear Development Task Force
- ◆ Co-host a visit of Indian scientists and civil nuclear representatives including those from Nuclear Power Corporation of India, Ltd.
- ◆ Launch Executive Missions to India to promote civilian nuclear cooperation and the involvement of U.S. industry in India's civilian nuclear energy development
- ◆ Host regular events and activities, and issue updates and communications from the platform of the Coalition for Partnership with India ([www.strategicpartnership.org](http://www.strategicpartnership.org))

## ENERGY DEVELOPMENT

USIBC recognizes that India's nuclear power program must be augmented by a robust conventional and non-conventional energy development program. Non-nuclear power development in India presents a significant opportunity for U.S. business. The USIBC is particularly interested in the implementation of the Government of India-sponsored Infrastructure Fund, and will closely monitor and provide inputs to this initiative. USIBC supports application of the Electricity Act of 2003 in letter and spirit, including resolution of legacy disputes affecting U.S. independent power investments in Orissa and Tamil Nadu – to encourage new investment. USIBC looks forward to working with Indian colleagues to promote mutually beneficial business opportunities throughout the power sector, including in project financing.

Market-based fuel pricing, as well as alternative energy development, are top advocacy priorities for USIBC. A "Green India" Summit will be convened to showcase U.S. technology and renewable energy opportunities in India.

### DELIVERABLES

- ◆ Support policy evolution regarding the Infrastructure Fund that includes proven and tested criteria consistent with international best practices
- ◆ Promote India's continued successes in oil and natural gas exploration
- ◆ Organize power sector roundtables to advance viable policy reform attractive to U.S. companies
- ◆ Continue to promote India's procurement of U.S. technology, equipment, parts, and services for upstream, mid-stream, and downstream energy and power generation
- ◆ Promote and showcase business opportunities in project financing, project management, EPC contracting, and fuel production and transportation
- ◆ Mobilize fresh U.S. company interest in India's energy infrastructure, both upstream and downstream
- ◆ Advocate for fair and impartial regulatory bodies in upstream and midstream oil and natural gas activities
- ◆ Advocate for market-based pricing for retail gasoline, natural gas, lubricants, and diesel fuel
- ◆ Promote the application of the Electricity Act of 2003 to the spirit and letter of the law
- ◆ Achieve resolution of existing Independent Power Project disputes in Orissa and Tamil Nadu
- ◆ Advocate for the review of the Arbitration Act in consonance with international best practices and project financing

### III. TO DEEPEN STRATEGIC COOPERATION IN DEFENSE AND SPACE

#### DEFENSE COOPERATION

The U.S. and India are on the cusp of a new era in defense, security and space cooperation. Military to military exercises and operations have never been more frequent – warranting a greater need to foster interoperability, as well as a close procurement partnership. The Indian Ocean Tsunami of 2004 and last year's Kashmir Earthquake underscore the importance of inter-operable militaries when it comes to international disasters and relief efforts.

USIBC advocates for greater trust between the two militaries and the assurance of reliable supply for future procurements. USIBC supports liberal transfer of technology and licensing by the U.S. equal to the strategic partnership envisioned by the Prime Minister's and the President's July 18, 2005 Joint Statement. USIBC looks forward to working with the Government of India on its Procurement Procedures, and on its new Defense Offsets policy. The goal is to foster technology transfer, co-production, and indigenous development by India of a reliable supply of critical spares, leading to substantive defense cooperation between the U.S. and India.

USIBC will continue to support security initiatives and transfer of technology that match the new, robust U.S.-India strategic partnership.

#### DELIVERABLES

- ◆ Engender a positive environment of trust that results in major defense platform sales to India such as transport aircraft (the C-130J, naval vessels, radar and missile defense)
- ◆ Continue to advocate for successful procurement by India of Multi Role Combat Aircraft from a U.S. supplier
- ◆ Promote international best practices relative to India's Defense Procurement Procedures that account for advanced technology, reliability, lifecycle costs, interoperability, transfer of technology and co-production – and which demonstrate U.S. competitive advantages
- ◆ Advocate adoption of International Best Practices for India's Defense Offset Policy, including notification of offset banking
- ◆ Coordinate with the U.S. Government to facilitate greater understanding by India of various supplier processes, including Foreign Military Sales, Export Controls, ITAR and U.S. Defense Regulations and Procedures
- ◆ Advocate for greater U.S. Inter-Agency Coordination on export control reform and release processes by playing a critical role in the 'Coalition for Security and Competitiveness'
- ◆ Encourage the Government of India's Ministry of Defense to provide clearance for pending Technical Assistance Agreements and other critical bilateral agreements, and support resolution and agreement between the U.S. and Government of India on end use monitoring (EUM)

- ◆ Promote partnerships and joint ventures with Indian defense private sector companies, resulting in co-production
- ◆ Urge the Government of India to work towards definitive deliverables pursuant to recommendations outlined in the Vijay Kelkar Committee Report
- ◆ Seek to remove India from Mantis list
- ◆ Investigate joint R&D for defense platforms by introducing Indian companies to the Defense Advanced Research Projects Agency (DARPA) and other U.S. agencies

## COMMERCIAL SPACE COOPERATION

The July 18, 2005 U.S.-India Joint Statement lays out an ambitious plan for U.S.-India commercial space cooperation. India will launch an unmanned reconnaissance capsule to the moon in 2008 which will include U.S. technology. This unprecedented association of the U.S. and Indian space programs holds great promise for future scientific research and exploration. USIBC supports a Commercial Space Launch Agreement between the U.S. and India.

### **DELIVERABLES**

- ◆ Promote a favorable review (and removal) of the public sector companies included on the Department of Commerce "Entities List" leading to a Commercial Space Launch Agreement
- ◆ Advance ISRO/NASA collaboration through a successful Chandrayan I moon launch in early 2008
- ◆ Advocate for Indian industry to achieve direct access to U.S. satellite capacity
- ◆ Maintain a leadership role as a member of the U.S.-India Working Group on Civil Space Cooperation

## IV. TO STRENGTHEN SYNERGIES IN HIGH TECHNOLOGY AND SERVICES

### DIGITAL ECONOMY

India and the United States are leaders in the digital economy. USIBC has been instrumental in fighting U.S. protectionist legislation that would thwart the "flatter world" economy emerging between our two countries. The atmosphere on Capitol Hill and in many state capitals against global sourcing is deteriorating.

Not enough is being projected about how India's economic growth is actually generating employment and opportunity here at home. Bharti's recent global sourcing contract with IBM valued at more than \$1 billion, and Air India's recent acquisition of \$11 billion worth of Boeing aircraft are but two examples.

What is becoming more apparent each day is the magnitude of opportunity that exists for both sides as the digital economy continues its convergence. Continued cooperation is necessary to realize the full potential of software engineering and programming, value added Business Process Outsourcing, and the attributes of Information Technology-Enabled Service partnerships.

The U.S. side can contribute to this opportunity by adopting a rational policy that enables the ready movement of technology professionals between our countries, and by resolving a totalization agreement that reimburses social security taxes to individuals who have no intention of residing in the U.S. and benefiting from social security benefits. On the Indian side, labor reforms supporting contract labor, registration of workers to ensure data security, and the development of educational policies that will assure a future workforce of highly skilled technology professionals are USIBC priorities.

### DELIVERABLES

- ◆ Continue to promote the idea of keeping a flexible, company-friendly regime in India for data privacy and cyber security by securing Parliamentary approval of the amendments to the IT Act
- ◆ Promote expansion of training of law enforcement officials to deal in cyber forensics
- ◆ Promote more reasonable valuations of taxation of offshore services done in India
- ◆ Advocate labor reform to allow more flexibility in hiring/transitioning workers
- ◆ Support the establishment of a global privacy framework
- ◆ Advocate finalization of a totalization agreement for social security payments by H-1B visa workers
- ◆ Advocate for an unfettered increase in H-1B visa caps for law-abiding Indian technology companies/professionals

- ◆ Advocate liberalization of the movement of high technology professional persons (Mode IV) between our countries
- ◆ Seek approval of a final FDI regime without security-related caveats that limit international data traffic
- ◆ Review ability for Indian companies to bid on U.S. government contracts
- ◆ Support Open Procurement by U.S. and Indian governments
- ◆ Advocate for a single joint U.S.-India submission to the Indian Government on amendments to the IT Act including reconsideration of Section 85

## HUMAN RESOURCES & EDUCATION

USIBC-member companies appreciate India's significant pool of human resource talent that will sustain India's continued economic growth, and which will champion in the coming decades the convergence of our two dynamic economies. That said, both U.S. and Indian companies are already experiencing high attrition rates amongst workers within various industry sectors. There is concern that shortages of qualified professionals may soon become evident, threatening India's competitive advantage and constraining India's growth potential. To address this potential human resource challenge, USIBC – in the near- and mid-term – will seek to play a supportive and facilitating role pairing U.S. companies and educational institutions with Indian counterparts and universities. The objective will be to support educational programs in India and the U.S. that better prepare our professionals to do business with one another. The concept of supporting curriculum development and making accessible senior business executives to the development of sector-specific, accredited "finishing schools" and/or "executive management" programs will be pursued. USIBC will work with partner organizations to lend credibility and expertise to such programs. India's economic rise should result in the measurable increase in quality education – able to serve India's domestic and global industrial goals.

### DELIVERABLES

- ◆ Work with counterpart organizations and educational institutions in India and the U.S. to determine the feasibility of supporting finishing school programs and/or executive management programs
- ◆ Work with the National Association of Software and Service Companies (NASSCOM) and other associations to track the human resource challenge as it affects the growth of the global IT Enabled Services (ITES) Industry

## LIFE SCIENCES

India's pharmaceutical industry is the fourth largest in the world. This sector is poised for spectacular growth and international participation if a proper policy environment in India can be established and maintained. Indian companies are proving their credentials, establishing presence in the United States and throughout the world. Cooperation between the U.S. and Indian life sciences industries requires the development of a proper policy environment that will enhance business opportunities in both countries.

### DELIVERABLES

- ◆ Advocate the formulation and implementation of a world class vaccines program that encourages private sector involvement
- ◆ Advocate for the adoption of data exclusivity in accordance with India's Trade-Related Aspects of Intellectual Property Rights (TRIPS) obligations under Article 39.3 to protect undisclosed test data from unfair commercial use
- ◆ Work with counterpart organizations in India to gain assurances that the scope of patent protection will not be impermissibly limited to new chemical entities and that incremental innovation will be protected
- ◆ Advocate against price controls to ensure that any pricing regime is developed in consultation with industry in order to strike the correct balance between the need for access and the need to foster innovation
- ◆ Fight against pharmaceutical counterfeiting in India
- ◆ Launch a Life Sciences Executive Mission to India to showcase India's emergence as a major R&D Center

## PUBLIC HEALTH – "COALITION FOR HEALTHY INDIA"

The Coalition for Healthy India (CHI) will bring together the U.S. and Indian business community, non-governmental organizations (NGOs), and medical professionals to coordinate and support improved access to healthcare in India, consistent with efforts being taken by the Government of India as well as the corporate social responsibility (CSR) programs being pursued throughout India by the U.S. and Indian private sector. The initiative includes bolstering the protection of intellectual property and innovation, such that the best class of treatments and devices across the broad spectrum of healthcare challenges facing India are and remain accessible to the common man.

The Coalition for Healthy India will concentrate on raising health standards, including the accreditation of healthcare facilities and penetration of health insurance coverage, with a particular emphasis on rural areas where more than 60% of Indians live and work. Moreover, CHI will work collaboratively with other efforts underway in India to raise awareness about the scourge of HIV/AIDS, while promoting preventative measures and improving access to effective and affordable treatment regimes.

## **DELIVERABLES (PUBLIC HEALTH)**

- ◆ Launch its Coalition for Healthy India, the primary purpose of which will be to defend the principles that foster innovation, and which will enhance public access to the latest health technologies and treatments
- ◆ Strike a balanced chord supporting innovation and patient benefit

## **MEDIA & ENTERTAINMENT**

The vibrant media and entertainment industries of the U.S. and India are known throughout the world for their content and technology. Much has already been gained by collaboration. Yet there are ominous signs of protectionism that can spoil opportunities for both sides. Government must be urged to let the market work and not try to manage the economics of these industries.

India's cable television industry has grown to be one of the world's largest due to a light regulatory touch. Since 2004 the telecom regulator, TRAI, has been active in introducing regulations into the market. While many of these regulatory changes have been welcomed by industry, some, such as price controls, have harmed the television industry's growth potential. At the same time, new services such as DTH satellite TV and IPTV have been launched and are gaining impressive momentum.

India has one of the world's largest movie industries, in terms of number of films produced and number of tickets purchased. American films are allowed open access to the market, but face very high levels of intellectual property infringement from various sources (illegal screenings, illegal distribution through local cable TV, pirated optical disks). Indian films face the same intellectual property problems, though have not been able to effectively organize countermeasures to this piracy.

## **DELIVERABLES**

- ◆ Press TRAI to roll back its price freeze in the industry
- ◆ Press TRAI to roll back its price cap on media in areas where the Conditional Access System is being introduced
- ◆ Press the Government of India to amend its downlinking regulations – to spare content companies from setting up formal offices in India (this requirement may force companies to develop a taxable presence where none has existed before)
- ◆ Press the Government of India to further liberalize print news media regulations to allow more than 26% FDI in print news (non-news media, such as science journals, can have 100% FDI)
- ◆ Press the Government of India to pass Comprehensive Optical Disk Legislation to strengthen copyright protection for music, video, and software
- ◆ Inform lawmakers about the adverse consequences of the Broadcast Media Bill
- ◆ Launch a USIBC Executive Media & Entertainment Mission to India in 2008

## RETAIL SERVICES

The Indian retail sector is ripe for liberalization and greater international participation. Liberalization can have enormous positive effects by creating new and better employment opportunities, by introducing modern retail formats and technology, and by modernizing supply chain management and distribution. Retail liberalization will be particularly helpful to Indian farmers in building new and better markets for their products. USIBC member-companies represent technical and financial resources that can support India's retail opening, respecting the fact that this must be done in a manner that benefits all segments of Indian society.

### DELIVERABLES

- ◆ Continue to press for opening of retail trade
- ◆ Publish USIBC document on retail trade that highlights specific case-studies of the tangible benefits to 100% FDI in retail investment
- ◆ Highlight examples where retail openings have bolstered supply chain infrastructure investments and generated employment
- ◆ Participate in U.S.-India bilateral dialogues in support of retail market access
- ◆ Ensure successful entry to India of professional retailers via the franchise route
- ◆ Advocate easing of restrictions to promote flexibility in pricing for pharmaceutical products, retail gasoline and diesel, and other product classes
- ◆ Promote India-focused business opportunities in product sourcing, supply-chain management, and real estate space

## LEGAL SERVICES

India has much to gain by opening legal services to foreign participation. Foreign investors are more likely to invest where their lawyers can interact with the local bar to serve their needs on the ground. The U.S.-India Trade Policy Forum has recently appointed a working group on legal services which is supported by USIBC's Legal Services Executive Committee. USIBC will continue to advocate the opening of Legal Services to the benefit of both the U.S. and India.

## **DELIVERABLES (LEGAL SERVICES)**

- ◆ Advocate for entry and establishment of U.S. law firms in India
- ◆ Work with counterparts in India to modify provisions of the Bar Council Act with the aim of promoting legal reforms
- ◆ Promote alternative dispute resolution, capacity building, and the effective enforcement of contractual obligations
- ◆ Support a USIBC Legal Services Executive Committee Mission to India in 2007/2008
- ◆ Co-sponsor Practising Law Institute's "Doing Business in India" conference series
- ◆ Represent the interests of U.S. legal services providers in the Trade Policy Forum services negotiations

## V. TO BOLSTER PROPERTY RIGHTS & INDIA'S MANUFACTURING PROWESS

### REAL ESTATE

The real estate sector is one of the fastest growing investment opportunities in India. Several mega-development projects have been announced. Further liberalization and reforms are necessary to accommodate the demographic shift to India's urban centers, and to accommodate India's explosive economic growth. Financing will be key, supported by the mobilization of a mortgage market that attracts sensible policy and regulatory changes. India needs to modify policies that will promote international and domestic capital formation for real estate acquisition and development. Adoption of international best practices is necessary for real estate valuation, due diligence, title insurance, and deed registration. Land acquisition must be fair, equitable, and transparent.

### DELIVERABLES

- ◆ Advocate for direct foreign ownership and direct acquisition of existing real estate assets
- ◆ Raise awareness and seek implementation of India's Housing Policy of 1998
- ◆ Promote SEBI and RBI efforts to operationalize mutual funds, investment trusts, and other capital market instruments in real estate
- ◆ Press SEBI and RBI to approve pending and future foreign venture capital investment (FVCI) real estate fund applications
- ◆ Advocate for rationalization of stamp duties to global norms (1-2%) on registered land transactions
- ◆ Repeal state-level Urban Land Ceiling and Regulation Act (ULCRA) type laws that limit private land ownership in key urban centers
- ◆ Execute and publish a USIBC study that benchmarks state-level reforms in real estate and promotes implementation of India's National Housing Policy of 1998/2005
- ◆ Create and launch a website that features land deals, financing opportunities, construction technology (materials and construction equipment), project management services, general contracting, and mechanical/electrical engineering subcontracting

### MANUFACTURING

India aspires to be a world-class manufacturer. India's prowess in this sector is already apparent in automobile and auto components manufacturing. Manufacturing is a priority sector as it generates jobs and employment. USIBC can play a helpful role in guiding U.S. companies to India, while supporting various policy initiatives that will enhance India's reputation as a major manufacturing hub.

## **DELIVERABLES (MANUFACTURING)**

- ◆ Advocate for and showcase Special Economic Zones (SEZs) that support world-class manufacturing
- ◆ Sponsor roadshows in the U.S. that feature success stories in India's manufacturing sector
- ◆ Advocate for greater flexibility in closing manufacturing businesses that are no longer profitable
- ◆ Ensure that the Purchase Price Preference Policy of the Government of India does not disadvantage U.S. manufacturers established in India
- ◆ Promote India as a world class hub for manufacturing by organizing events/forums that feature India's comparative advantage in such areas as operational efficiency and logistics, intellectual property protections, import duties, R&D resources, and capabilities in the small- and medium-sized enterprises sector
- ◆ Form a USIBC Petro Chemicals & Auto Manufacturing Executive Committee

## **CONSUMER GOODS**

"Computer chips not potato chips" was an expression from the past that is no longer relevant. There is widespread appreciation that consumer goods production and sale are vital to India's economic development. Just as other sectors benefit from the competition of U.S. consumer goods companies, the Indian consumer goods sector benefits from the importation or manufacturing and sale in India of consumer goods by U.S.-based companies. Such competition attracts technology to India and fosters economic activity that benefits Indians in all walks of life.

## **DELIVERABLES**

- ◆ Advocate for the continued lowering of tariffs and restrictions on the importation of U.S. consumer goods
- ◆ Form a USIBC Consumer Goods Executive Committee to work in conjunction with the retail and manufacturing activities of the U.S.-India Business Council

## VI. TO ALIGN TWO GREAT DEMOCRACIES FOR THE 21<sup>ST</sup> CENTURY

### CORPORATE SOCIAL RESPONSIBILITY

The U.S. and India are committed to cooperate across a broad range of initiatives that will serve to promote democracy and address the global challenges facing both our peoples. Where USIBC can play a supportive role is by showcasing corporate social responsibility programs of our member-companies.

USIBC-member companies are particularly proud of their efforts combating HIV/AIDS, improving access to education, and in improving the quality of life wherever our companies are based by developing local resources (water) and improving rural health care.

#### DELIVERABLES

- ◆ Organize a major event in India that showcases U.S. commitment to social responsibility
- ◆ Leverage resources by partnering with Affiliates and Counterparts to support an Indo-U.S. Corporate Fund that targets HIV/AIDS
- ◆ Institutionalize USIBC's commitment to social responsibility by forming collaborations with partners to raise money for worthy causes through thematic events
- ◆ Participate in fundraising with the American India Foundation and other reputable organizations to fight against HIV/AIDS

### PUBLIC-PRIVATE PARTNERSHIP

USIBC is ideally headquartered in Washington, D.C. to partner with the U.S. Government on bilateral initiatives that advance the interests of our member-companies. The U.S.-India Economic Dialogue has been revitalized to advance U.S.-India economic cooperation. The Commercial Dialogue has been initiated by India's Union Ministry of Commerce & Industry, together with the U.S. Department of Commerce, as has the U.S.-India Trade Policy Forum that is supported by the Office of the U.S. Trade Representative. These groups aim to remove barriers to trade and investment. An Information Communications and Technology Dialogue are supported by the U.S. State Department. There is an Energy Dialogue, a High Technology Cooperation Group, and a Defense Procurement Policy Group. This list goes on to cover health, agriculture, phyto-sanitary standards, as well as space and international security. The robust nature of U.S.-India bilateral engagement is testament to the new strategic partnership that exists between our countries. USIBC is privileged to play a role in mobilizing the U.S. private sector to inform and provide input to these important dialogues. We look forward to continuing to do so.

## DELIVERABLES (PUBLIC-PRIVATE PARTNERSHIP)

- ◆ The U.S. side of the CEO Forum is comprised of all USIBC-member companies. USIBC will continue to be available to support this important dialogue
- ◆ Assist in organizing and supporting the Private Sector Advisory Group (PSAG) of the U.S.-India Trade Policy Forum
- ◆ USIBC will work with the U.S. Department of Energy to elevate the Environment and Energy Dialogue
- ◆ Advocate for inclusion of civilian nuclear cooperation as part of the High Technology Cooperation Group

## PARTNER ORGANIZATIONS

USIBC is fortunate to partner with organizations in both the U.S. and India.

Among organizations based in India, USIBC is privileged to work as partners with the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industry (FICCI). USIBC enjoys close relations with the National Association of Software and Service Companies (NASSCOM), the Indo-American Chamber of Commerce (IACC), and the American Chamber of Commerce in India (AmCham-India). We aim to deepen these linkages – at every level, and are grateful for the support provided by each of these esteemed organizations.

We welcome further collaboration, as well as new tie-ups – especially as U.S.-India commercial engagement deepens.

In the U.S., USIBC draws significant support from the 3 million member-strong U.S. Chamber of Commerce, of which USIBC is a part. Located at the U.S. Chamber of Commerce's International Division in Washington, D.C., USIBC has ready access to information about any country, and can track legislative movement, trade policy, and legal reforms in the U.S. affecting all our member-companies.

Apart from our headquarters at the U.S. Chamber of Commerce in Washington, USIBC is present in New York, San Francisco, Los Angeles, and New Delhi. USIBC plans to expand its presence in Chicago and Houston in due course.

USIBC is proud of its partnership with the U.S.-Council for International Business in New York, which hosts the Manhattan-India Investment Roundtable.

USIBC is delighted to be working with the Aerospace Industries Association to advance policies beneficial to U.S.-India defense collaboration. USIBC enjoys tie-ups with the Washington-based Center for Strategic International Studies, the Coalition of Service Industries, and the Asia Society. USIBC will strengthen its ties with the U.S.-India Friendship Council to advance strategic initiatives. We are especially proud of the philanthropic activities we jointly promote through our collaboration with the American India Foundation (AIF).

We will continue to broaden our reach in the U.S. by expanding affiliations and collaborations with these and other organizations.

#### **DELIVERABLES**

- ◆ Maintain a transparent dialogue with all partner organizations to engender a spirit of true collaboration
- ◆ Engage in programs throughout the year with all groups to advance our mutual objective: to expand two-way trade and investment, and deepen U.S.- India commercial ties
- ◆ Work with partner organizations to continue to promote sector- and company-specific success stories that feature India as a credible investment destination. Conversely, USIBC plans to launch a major information campaign that highlights the success stories resulting in job creation and opportunity in America attributable to the new "outward" investments in the U.S. by global Indian companies

## AFTERWORD

The U.S.-India Business Council's "The Way Forward – A Bright Horizon" sets an ambitious agenda of policy advocacy, recommends regulatory reforms and investment goals that we believe can and will enhance two-way trade and deepen U.S.-India commercial ties.

Of course, none of this can be achieved without the support of our partners, as well as support from the U.S. and Indian Governments, the American Embassy in Delhi and the Indian Embassy in Washington, and especially without the participation and commitment of USIBC's members. Without the resources you provide, none of these goals would be possible. To all of you, we are indebted and are deeply grateful.

Daniel Webster, former U.S. Secretary of State, renowned for his oratorical mastery, and on whose homesite the U.S. Chamber of Commerce is situated, sums up well the challenge and opportunity before us. He said in 1825:

*"Let us develop the resources of our land, call forth its powers, build-up its institutions, promote all its great interests, and see whether we also, in our day and generation, may not perform something worthy to be remembered."*

Worthy, indeed!

The transformation of U.S.-India relations is one of the biggest stories of our time. The sheer magnitude of population and potential stands to alter – for the better – the course of economic and human history.

USIBC remains committed to a deeper partnership between the United States and India, and to the alignment of these two great democracies for the 21<sup>st</sup> Century.





**USINDIA** Business Council

1615 H Street, N.W.  
Washington, D.C. 20062  
phone 202.463.5679  
fax 202.463.3173  
<http://www.usibc.com>