Conference Report

U.S. business outlook expands in India

by Paul Zykofsky

U.S. business appears to be waking up to the enormous potential for expanded economic relations with India. This was the impression I got at the day-long meeting of the India Chamber of Commerce of America held in New York June 25.

In summing up their experiences, most of the speakers emphasized that India's large pool of scientific, technical, and managerial manpower has made it possible to find qualified personnel for even the most advanced operations in India.

One reason for the improved investment climate is the set of measures by the Indian government since Prime Minister Indira Gandhi returned to office in January 1980 to relax investment and trade policies.

Growth opportunities

However, judging from a recent study by the Indo-American Chamber of Commerce covering 30 joint enterprises in India, the opportunities have existed for many years. The study, involving companies in such diverse areas as engineering, consumer products, chemicals and pharmaceuticals in the period from 1975 to 1980 showed that:

- combined sales grew at an average compound rate of 16 percent;
- gross profits registered a 15.2 percent growth;
- net profits grew at an annual rate of 14 percent;
- dividends grew at an annual rate of 19 percent;
- net worth grew at 12.3 percent; and
- wages, salaries and bonuses registered a 12 percent growth rate.

The large attendance at this year's meeting and the tone of the presentations by both Indian and U.S. speakers was upbeat in a new way. Of special importance were statements by U.S. businessmen highlighting opportunities for doing business with India rather than its rival Asian power, China. While the Carter administration was able to sell its "China Card" policy to gullible businessmen, China's cancellation of numerous contracts during the past year is finally causing corporate planners to wake up. An official of Amexco, for example, told journalists at the meeting that "at this point India is way ahead of China" regarding business opportunities for U.S. companies. Similar views were expressed privately by other businessmen disillusioned with the China Card.

The new interest in India was reinforced by representatives of both small and large U.S. firms who spoke about their experience doing business in India over many years. General Electric's manager for Central Asia and Thailand summed up these views, noting that "doing business with India can be exasperating . . . yet exciting and rewarding."

A large delegation of Indian businessmen, fresh from the sixth annual meeting of the India-U.S. Business Council in Washington, highlighted the improved economic situation in India and advised U.S. business on how to go about investing there. Despite some restrictions limiting foreign ownership in Indian firms to 40 percent, several businessmen noted that these do not apply to investment in high-technology areas. In addition, there are special tax incentives for research and development work.

What is most ironic is that the new interest in India has emerged at a time when the U.S. State Department is pursuing a policy in Asia which will seriously undermine relations with India. The administration's decision to sell advanced weapons to China and Pakistan while cutting off shipments of enriched uranium for India's Tarapur nuclear power plant will have serious repercussions on Indo-U.S. relations.

India's ambassador to Washington, K. R. Narayanan, pointed out the fallacies of this "short-term" approach to policy-making in a brief statement at the meeting. While noting that "China has a lot of political sex appeal in the U.S. these days," Narayanan emphasized that India has proven its political stability as a democratic republic since it gained independence from the British 30 years ago. During this period India has made substantial, steady gains in agriculture and industry and has built up the third largest pool of scientific and technical manpower in the world after the United States and the Soviet Union.

Given this background, Narayanan noted, businessmen eager to invest in Asia should ask themselves whether say 25 years from now, China will be as politically and economically stable as India.

Narayanan emphasized that "new impetus to economic recovery and growth in the developed countries lies in expanded trade and economic relations with the Third World . . . India has immense potentialities."

The ambassador concluded by warning that "unless we give concrete economic substance to our political relations . . . they will have fragility in the long term."