Strategies for County Elected Officials in Dealing with International Partners and FDI Attraction

~ Case Study India ~

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Training Outline

- Overview of U.S.- India Trade & Investment
- Cross Cultural Management
  - Understanding Indian Cultures & Customs
  - Key Resources & Contacts
- Sealing the Deal
  - Coordinating Efforts
  - Negotiating
  - What to Expect
Overview of U.S. India Trade & Investment
Overview of U.S.- India Trade & Investment

In 2011, U.S. goods and services trade with India totaled $86 billion

- In 2011, U.S. exports to India totaled $33 billion
- In 2011, imports from India totaled $53 billion
More on Exports to India

In 2011 India was the U.S.’s 17th largest goods export market

- The top exports categories in 2011 were:
  - Precious Stones
  - Machinery
  - Mineral Fuel
  - Fertilizers

- U.S. exports of agricultural products to India = $723 M in 2011

- U.S. exports of private commercial services - excluding military and government - to India were $11.6 billion in 2011
  - 12% more than 2010 & 351% greater than 2000 level

- Other private services – such as education and travel categories – accounted for most of the U.S. services exported to India
More on Imports from India

In 2011 India was the U.S.’s 13th largest supplier of imports

The top imports categories in 2011 were:
- Precious Stones
- Pharma Products
- Mineral Fuel
- Organic Chemicals

- U.S. imports of agricultural products to India = $2.7 B in 2011
- U.S. imports of private commercial services - excluding military and government - to India were $16.9 billion in 2011
  → 23% more than 2010 & 794% greater than 2000 level
- Other private services – such as business, professional, technical services, and computer and data processing – accounted for most of the U.S. services imported from India
FDI – Indian Investments in the U.S.

The largest share of investment capital from India has been for industries associated with the knowledge economy.

- This capital is helping the U.S. increase employment in high value-added industries, such as IT and pharmaceuticals.
- FDI from India is expected to continue to grow in the future.
- There is also strong interest in the power, steel, and extractive industries.

* This inflow of capital helps to create jobs & keep the U.S. globally competitive.
FDI – Indian Investments in the U.S. ...continued

An increasing number of Indian-owned firms have made important investments, stimulating innovation and production in the American economy.

Some examples include:

- The Essar Group invested over $1.6 B in the declining Minnesota Steel Industries and now employs over 7,200 in several states.
- The Tata Group has invested more than $3 B in the U.S. and employs nearly 19,000 throughout the country.
- Wockhardt (pharmaceuticals) acquired Morton Grove for $37 M, retaining the jobs of all the 200 original Morton Grove employees.
Overview of U.S.- India Trade & Investment

FDI – U.S. Investments in India

In 2013, the Indian government relaxed FDI norms in several sectors, including telecom, defense, oil refineries, power exchanges and stock exchanges, opening the door to U.S. investors.

The Best Prospects for U.S. Investors in India:

- Architecture, Construction and Engineering Services
- Civil Aviation
- Educational Services
- Environment and Water
- Healthcare & Medical Equipment
- Infrastructure (Roads, Ports and Railways)
- Auto Manufacturing
- Mining and Mining Equipment
- Power and Renewable Energy
- Travel and Tourism
Overview of U.S.- India Trade & Investment

Some U.S. Firms with Investments in India

- Agilent
- Agro Tech
- American Express
- Amway
- AT & T
- Caterpillar
- Cisco
- Citigroup
- Coca Cola
- Dupont
- Eli Lilly
- Federal Express
- Franklin
- Templeton
- GE General Motors
- Metlife
- Microsoft
- Monsanto
- Morgan Stanley
- Ogilvy and Mather
- Oracle
- Pfizer
- Sun Microsystems
- Verizon
- Wal-mart
- Xerox
Main Business Clusters in India - New Delhi

- New Delhi - India’s capital - is dominated by the service sector, accounting for 82% of the region’s GDP
  * The service sector includes: real estate, hotels, restaurants, banking, insurance, wholesale and retail trade
- Manufacturing accounts for 25% of New Delhi’s GDP
- Key industries include IT, telecom, hotels, media, banking and tourism

New Delhi has a large consumer market and abundance of skilled labor
Main Business Clusters in India - Mumbai

→ Mumbai, formerly known as Bombay, is the entertainment & commercial center of India

→ Main industries: petrochemicals, IT, food processing, healthcare, automobile & light manufacturing, metals, electronics

→ Mumbai is also the primary financial center of India; is HQ of Bombay Stock Exchange & the Reserve Bank of India plus firms such as the Tata Group and the Essel Group
Main Business Clusters in India – Chennai

- Chennai has a diversified economic base anchored by the automobile sector, IT, medical tourism, hardware manufacturing & financial services.
- Other industries include textiles and apparels, petrochemicals.
- Known as the *Detroit of Asia* - the city produces 60% of automotive exports.
- Software development, BPO and electronics manufacturing are major drivers of economic growth.
Main Business Clusters in India – Kolkata & Bangalore

- Kolkata is the main business, commercial & financial hub of eastern India.
- 84% work in service industries like IT & business process outsourcing (BPO).
- Bangalore is nicknamed the Silicon Valley of India – it is an IT hub.
- Bangalore is the aviation capital of India, accounts for over 65% aerospace business.
- 70% of all Indian rose exports come from Bangalore.
India’s Business Climate

Some Notable Obstacles to Doing Business in India:

- Difficult business climate – ranked 132 out of 183 economies in 2012 World Bank report (i.e., does not always enforce contracts)
- Relatively high import duties
- Non-transparent i.e., unpredictable regulatory & tariff regimes
- Cumbersome bureaucracy
- Concern over intellectual property rights
- General corruption
Some Facts About Indians in the U.S.

- Luce-Celler Act of 1946: granted Indian immigrants the right to apply for U.S. citizenship
- There are 1.9 M Indians in the U.S.  - -  the Indian population has grown to over 150 times its size since 1960
- Almost 1/3 of all Indian immigrants reside in California & New Jersey
  → Other states with Indian immigrant populations greater than 100,000 are Texas, New York and Illinois
- Indian students accounted for 13% of international students at U.S. institutions of higher learning during the 2011-12 academic year
- Between 2006 and 2012, Indians accounted for 32% of immigrant-funded companies in Silicon Valley
Cross Cultural Management
India – An Overview of its History

- India’s history is tied to its geography
- A meeting ground between East & West, it has undergone many invasions
- The first group to invade were the Aryans from the north in 1500 BC
- In 1192 AD, Muslims took over India
- The British seized control in 1858, staying until 1947 (the ‘Raj’)
- When the British left, they created the separate states of Pakistan & Bangladesh (known at that time as East Pakistan), and violence erupted when stranded Muslims and Hindu minorities in the areas fled in opposite directions
With nearly 1 billion citizens, India has the 2nd largest population in the world.

India is a diverse country with varied subcultures.

There are over 15 main languages:
* Official languages are English & Hindi.

It is a Sovereign Socialist Democratic Republic with a Parliamentary system of Government.
Cross Cultural Management

- Understanding Indian culture and customs is vital to helping officials to better communicate with Indian counterparts and improve chances of closing deals...
- ... Establishing solid relationships often goes beyond business
Cross Cultural Management

Understanding Indian Culture and Customs

Differences among sub-cultures is reflected in business cultures

- Companies from North India are seen as more aggressive, with one individual making important decisions
- Companies from South India are more conservative and decisions are often through consensus building
- Companies from the West of India are more business like and professional
Understanding Indian Culture and Customs

⭐ Relationships are highly valued throughout India

→ Questions about family and small talk before business are appreciated

→ Respect to hierarchy and age is a part of Indian business
Cross Cultural Management

Understanding Indian Culture and Customs

- Discussing the caste system?
- Dress codes?
- Family Run Businesses?
Cross Cultural Management

Knowing who to contact for information is critical...

These resources can tell you how to best approach your Indian counterparts - based on industry sector and region in India – in order to establish strong relationships
Cross Cultural Management

Key Resources and Contacts

India has many trade associations, chambers of commerce, government departments and regional associations

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<tr>
<td>NASSCOM</td>
<td>National Association of Software and Service Companies</td>
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<td>ISA</td>
<td>Indian Semiconductors association</td>
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<tr>
<td>STPI</td>
<td>Software technology parks of India</td>
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<tr>
<td>ABLE</td>
<td>Association of Biotech enabled enterprises</td>
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<td>IDMA</td>
<td>Indian Drug Manufacturers' Association</td>
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<tr>
<td>PHARMEXCIL</td>
<td>Pharmaceuticals Export Promotion Council</td>
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<td>AAAI</td>
<td>Advertising Agencies Association of India</td>
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<td>AMFI</td>
<td>The Association of Mutual Funds in India</td>
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<td>WIP</td>
<td>Wind Power India</td>
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<td>IWTMA</td>
<td>Indian Wind Turbine Manufacturers Association</td>
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<tr>
<td>MCCIA</td>
<td>Maharatta Chamber of Commerce, Industries and Agriculture</td>
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<tr>
<td>IMC</td>
<td>Indian Merchants Chamber</td>
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<tr>
<td>CII</td>
<td>Confederation on Indian Industry</td>
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Cross Cultural Management

Key Resources and Contacts

Indo-American Associations in the U.S.

- IUSBN  India U.S. Business Network
- IACC  Indo-American Chamber of Commerce
- USIBC  U.S. India business council
- AUSIB  Alliance of US India Business

→ Indian Consulates in New York, Chicago, Houston, Washington DC, San Francisco

→ Indo-American Chamber of Commerce's are also found in many states
Cross Cultural Management

Key Resources and Contacts

- State Economic Development Organizations with offices in India:
  - Pennsylvania, Washington, Maryland, Missouri, Virginia, Indiana

- County EDOs with offices in India:
  - Fairfax County Economic Development Authority

- Sister Cities

- World Trade Centers

- University associations and groups
Sealing the Deal
Sealing the Deal

Attracting and retaining foreign investment is a group effort ...

...County officials may work with ports, other EDOs, trade associations, and state agencies to formulate the best the deal for an interested firm

...Knowing how to deal with Indian counterparts is crucial
Sealing the Deal

FDI attraction and investment is highly contingent on relationship building

Location visits are important to Indian companies

- Many Indian firms rely on an emotional connection as much as hard data and comparative facts
- Meeting local companies in a similar sector, supply chain partners and potential clients is important
- Dinner and a small tour, or a token gift, are viewed positively
Sealing the Deal

**Coordinating Efforts**

At the local level, many organizations and levels of government may be involved in negotiations for sealing a foreign investment deal...

However:

* **Indian companies prefer a single point of contact**
  
  - The knowledge that several professional advisors (i.e., Real Estate experts, Law firms, accounting firms, etc.) are involved in the background is reassuring though
  
  - The use of hard data and analysis is appreciated
Sealing the Deal

Negotiating

- Many Indian companies are conscious of initial capital expenditure
  - They usually like to begin conservatively with cost effective options
  - Orientation to detail in costing is important

- In family run businesses, the owner may not be involved in negotiations until the very final stage
  - There may be some last minute change requests by the owner which are normally yielded to as a form of respect
Sealing the Deal

Negotiating ....continued

- Though hierarchy is important, professionally run or listed companies exhibit characteristics very similar to Western corporations

How important are incentives to Indian firms?
Sealing the Deal

What to Expect

- A Grand Opening of the facility/office, ribbon-cutting, inauguration ceremonies and press releases are viewed positively by Indian companies.

- Large Indian companies like to be able to create a positive image in the community so that it will help in attracting high quality talent.

- Most Indian companies expand fairly quickly once they start operations.

- They will seek innovative joint-ventures once they are comfortable in the community.
# About Maeflower Consulting - India

**Business / FDI Attraction**

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**Exports / Trade Support**

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<td>Competitor Analysis</td>
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**Investment and Trade Missions to India**

**India Representative Office**

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http://maeflower.com
About IEDC

The International Economic Development Council (IEDC) is the world's largest membership organization serving the economic development profession.

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* Chambers of Commerce & other business support agencies
* Technology development agencies
* Redevelopment authorities
* Educational Institutions
* Non-profits
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