

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

~ Case Study India ~

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Training Outline



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ІНСТИТУТ ЕКОНОМІЧНОГО РОЗВИТКУ

- **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**

Overview of U.S.- India Trade & Investment



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

Overview of U.S. - India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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 the power, steel, and extractive industries
- * This inflow of capital helps to create jobs & keep the U.S. globally competitive**

Overview of U.S.- India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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

Overview of U.S.- India Trade & Investment



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

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

Cross Cultural Management

An Overview of India Today



- 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

Cross Cultural Management



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

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

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
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- 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



Negotiatingcontinued

-
- 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



<i>Business / FDI Attraction</i>	<i>Exports / Trade Support</i>
India Strategy Consulting	India Entry Consulting
Investor Targeting	Market Study
Marketing Support	Identifying Potential Partners
Media Outreach	Competitor Analysis
Investment and Trade Missions to India	
India Representative Office	

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