

Governor Warner's Trade Mission to India

by Stuart S. Malawer



George Mason University professors Arun Sood (l) and Stuart Malawer(r) with Virginia Governor Mark Warner in India.

In late April, Governor Mark Warner led the largest state trade delegation ever to visit India. He was the first Virginia governor to visit India. Sixty-five private sector delegates and state officials accompanied the governor on this historic, one-week trade mission to Delhi, Bangalore and Mumbai.

The India trade mission signifies, as did the governor's trade mission to China last year,¹ Virginia's growing commitment to global trade as a key driver for enhancing the commonwealth's economy.² It was my privilege to participate in both trade missions.

India's infrastructure, information technology, telecommunications, energy, pharmaceuticals and biotechnology fields offer Virginia firms a great many economic opportunities. Virginia businesses can see great potential as India works to develop its manufacturing sector in the same manner as it has built its information technology sector. More chances for Virginia businesses to expand into India will arise as India brings down its high tariffs and opens to foreign investment other sectors

such as retail, real estate, pharmaceuticals, infrastructure and agriculture.

With these trade missions, it is important to recognize that trade and transnational business is not conducted by states, but rather by individuals and corporations. Working as a facilitator, state governments often set the tone, play matchmaker and implement public policies that foster greater international transactions. Governor Warner's trade mission follows those of many other governors in the United States to many destinations over the years. Thirty-two governors have visited China in the last twelve months. Yet Governor Warner's visit to India was the first for any American governor during that period, giving Virginia businesses a jumpstart on this new, expanding market. No President of the United States has ever visited Bangalore. Governor Warner and the trade mission did so to explore trade opportunities.

As these Indian opportunities increase, local communities throughout the commonwealth have a critical stake in global economic integration. Some counties

within Virginia, along with the state government itself, are active in promoting global trade. For example, Fairfax County has its own international division and an office in Bangalore. Global trade today is the arena for entrepreneurs of the twenty-first century to generate wealth for themselves and their communities. Warner made the point that first it was the multinational corporations and now it is the entrepreneur's turn to be the key player in the global economy. Recently private equity firms such as the Blackstone Group have allocated billions of dollars as initial investments.

The trade mission coincided with India's emergence as a critical player in global trade and international politics. For example, during the visit, the Indian Prime Minister Manmohan Singh was chosen to speak for Asia at the historic Asia-Africa Strategic Partnership Conference at Bandung, Indonesia. Also, Secretary of State Condoleezza Rice had recently visited Delhi and the Chinese Prime Minister Wen Jiabao also had gone to Delhi and concluded a series of historic trade and political agreements.

A newly emerging India is taking hold as Pakistan détente and a new open-skies agreement between the United States and India promote greater aviation and commerce between the countries. India and China are planning space exploratory missions in 2007. Additionally, Japan's Prime Minister Koizumi was scheduled to arrive in Delhi shortly after our trade mission's departure. India has recently signed a new formal defense pact with the United States. India continues to play a leading role in the World Trade Organization's Doha round of trade negotiations, representing the interests of the developing countries and emerging markets. A key interest is in the area of agriculture reform in which India and the G-20 have just submitted new proposals.

India is the world's largest democracy. With more than one billion people, India is projected to pass China within twenty years as the most populous nation. India has the fourth-largest and second-fastest growing economy in the world. For the first quarter of 2005 India's economy grew more than 7 percent. GDP growth for 2005 is expected to be 6 to 8 percent. Yet imports and exports from India make up less than 1 percent of global trade. American companies are among the largest investors in India. India has recently enacted new legislation enhancing patent protection for products, moving away from its process-focused approach. For the last ten years, 19 percent of Indian investment abroad has come to the United States. The United States has emerged as the leading investor in portfolio investment in India—40 percent of total net investments made since 1993. But India's share of total foreign direct investment from the United States is less than 1 percent. The election of the Congress Party in India last year, replacing the BJP, has continued the trade and economic liberalization policies that commenced in the early 1990s. India has proposed special economic zones, modeled after those in China, to foster greater investment and trade for parts of its nation. It is considering greater privatization and lowering of tariffs.

With these recent developments, a special moment in India's relations with the region and the world is occurring. Business and commerce is driving new geopolitical relations. The evolving India-China-Japan relationship has tremendous significance for Asia's future in a global geopolitical context and India's political and trade relations with the United States. Trade and business are emerging as the most important ties to potentially bind the world's two largest democracies. Newly developing business opportunities in India are transforming relations with U.S. firms. At the same time, India has moved from a critic of American foreign policy during the Cold War and the 1990s to a trading partner in the post-9/11 era. Now it is building trade relations to better confront regional instability and terrorism. The governor of Virginia, recognizing the importance of these changes, promoted Virginia exports to India and India's direct investment into Virginia—both crucial elements in furthering the economic development of Virginia and peaceful relations between India and the United States.

The diversity of the trade delegation's interests was well-matched to take advantage of the diversity of opportunities available in India. The private-sector delegates of the trade mission were introduced to a broad range of Indian entrepreneurs, and state officials met high-ranking city, state and national officials. Among the Virginia state officials accompanying the governor

as three major Virginia universities (George Mason, Virginia Tech and Old Dominion).

The delegation participated in a series of high-ranking briefings and presentations by the U.S. Embassy, the Federation of Indian Chambers of Commerce and Industry (FICCI), the Confederation of Indian Industry (CII), and representatives of the India film industry in Bollywood. The U.S. counsel general was the official U.S. government host of the delegation's final reception at his residence in Mumbai.

The principal purpose of the trade mission was to encourage small and mid-size Virginia firms to increase their exports and transactions to India. In organizing the trade mission, the Virginia Economic Development Partnership, in addition to providing important briefings, organized many one-on-one meetings with representatives from Virginian and Indian firms with complementary interests. Ideally, those firms would assess each other, enter into negotiations and conclude agreements to export Virginia products and services. It appears that many invaluable commercial contacts were made at these meetings.

But global trade is a two-way street. Governor Warner forcefully promoted greater direct investment by Indian firms into Virginia—especially the rural areas—as a means of countering the growing

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were the secretary of commerce and trade, the executive director of the Virginia Economic Development Partnership, the director of its international division, and the deputy executive director of the Virginia Port Authority. Representatives of the commonwealth's private sector included those from high-tech, telecom, manufacturing, financial and law, as well

backlash in the United States over information technology and other forms of outsourcing to India. He reminded audiences several times that this approach was taken by Japanese firms in the late 1980s with their investments into the U.S. Southeast, used as a means of countering growing resentment to Japanese auto imports. This strategy might prove successful since the

Indian government now seems inclined to heed American interests and sensibilities. The recent decision by the state-owned Air India to purchase Boeing airliners, not the European Airbus, is widely considered to have been a decision attempting to restrict the growing protectionist backlash in the United States over outsourcing of information technology and other services to India. While this move may be criticized by some as an unjustified intrusion of national politics into trade matters, states have the right and obligation to encourage foreign direct investment through political advocacy. It does not cost the state taxpayer anything, and if successful, adds to the overall foreign investment in the United States. In fact, being closer to the American consumer, to provide better service and to develop a better understanding of the market, is a good business reason for a foreign or global firm to invest in a local economy.

A milestone during the trip was the governor's signing of a memorandum of understanding on behalf of the Virginia Economic Development Partnership with the Federation of Indian Chambers of Commerce and Industry to promote greater cooperation. The conclusion of a cooperative trade understanding by two such trade entities, one a quasi-public body and the other a foreign trade association, indicates the growing importance of such units in the global trading system today.

Matchmaking can only work and be a meaningful two-way relationship if both sides understand and appreciate their new

partner. Governor Warner spoke often about the importance of education and knowledge in order to remain competitive in today's global environment, and he recognized the great importance that Indian society attaches to education at all levels. Similarly, he acknowledged that Virginia's universities must find ways to educate students to better understand India and the global economy. About seventy thousand Indian students are studying in the United States for a significant period of time, ranging from one semester to several years. The number of Americans studying in India is negligible. Governor Warner suggested that Virginia universities might better cooperate among themselves in developing means to assist students to study in India, thus creating a better understanding of this massive and diverse country. Expansion of trade, technology and investment comes as a natural corollary with a stronger understanding of a foreign market. Trade with India is no different.

Such programs and a better appreciation of Indian culture, politics and trade relations will help to ensure a more meaningful dialogue in the future among Americans in formulating more effective U.S. foreign and national security policies in coping with the tectonic shifting of power to Asia. The development of a new architecture of relations and institutions in Asia is essential to promoting both regional and global peaceful relations.

The legal profession, local jurisdictions, the private sector and Virginia's universities must grapple with the fact that global-

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ization is here to stay. The twin revolutions of globalization and outsourcing are propelling India and China to center stage. We all need to find our place in and a way to prosper from this new global landscape and economic reality. A greater understanding of its effects and the major global players participating in this new reality is essential to creating more beneficial global trade and transactions. More commercial transactions lead to more peaceful relations, which is to everyone's benefit. Greater trade today is the foe to greater disorder and a friend to greater prosperity.



Endnotes:

- 1 Malawer, "Governor Warner's China Trade Mission: Largest Ever & Points to Renewed Global Action," 23 *INTERNATIONAL PRACTICE NEWS* No. 1 (Virginia State Bar, Spring 2005) at <http://www.vsb.org/sections/in/publications/news/spring05/spring05.html>.
- 2 For an excellent series on India and China as the two key drivers of the global economy, see the special three-part series "India and China in the Global Economy" in the *Financial Times* (February 23 through February 26, 2005). See also, "India & Globalization" (*Financial Times* Special Report, March 22, 2005).