

South Asia-India Challenges & Opportunities

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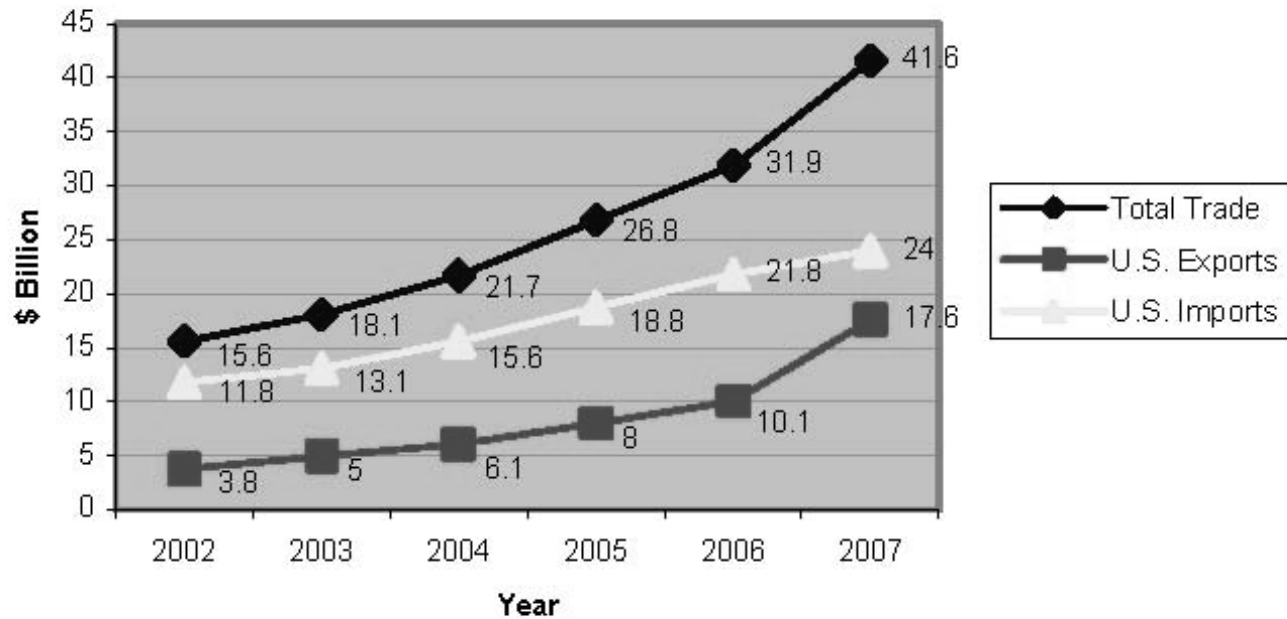
Why we should look at South Asia?

- Current trends in strategic, trade, business & cultural ties
- Future: the region seen often as a potential source of strong global economic growth

Accelerating Trade

Total U.S. Trade with India
Manufactured Goods

(Data: U.S. Census Bureau, USDOC)



Other countries

- Bangladesh – US trade around USD 3 billion
- Nepal – US trade USD 119 million
- Sri Lanka – US trade around USD 2.5 billion
- With Pakistan US exported USD 2.03 billion and imported USD 3.6 billion
- India-US trade USD 44.67 billion (USD 24.07 billion in imports and USD 17.6 billion in exports)
- Compare with China trade USD 387 billion

Business Opportunities

- Primarily engineering and machinery
- Infrastructure
- Energy
- IT
- Food processing
- Retail
- Education Services

Challenges in India

- Infrastructure
- Remaining vestiges of license raj can be frustrating (Doing Business 2008 Rank 122/181) (South Asia Average: 111/181)
- Overburdened legal system
- Labor protection
- Expensive real estate
- Salary inflation

Current economic crisis and the region

- Growth projection brought down from 8.75% to 7-7.5%
- More tightly linked compared to the earlier melt down and the Asian currency crisis
- Government response to inject liquidity into the market
- \$560 billion investment in infrastructure in the next 5 years may act as a stimulus
- Optimism stems from large local market and liquid banking system that refrained from overplaying asset securitization

Obama vs McCain

	Barack Obama	John McCain
Opposed trade barriers	36%	88%
Opposed trade subsidies	0%	90%
Curb Federal outsourcing	NA	Against
Curb private outsourcing	NA	Against
CAFTA	Against	For
Anti-dumping (Byrd)	For	Against
Labour standard curbs	For	Against
Sanctions on China (currency issue)	For	Against
Farm subsidies	For	Against

Source: freetrade.org

Impact of Obama victory on trade with India

- Not likely to be significant
- Traditionally Government has stayed clear of business' decision to trade
- Indian IT sector cautiously optimistic
- Civilian nuclear deal – follow-up
- WTO and subsidies
- Any slow down is likely to be against the run of play