

India and US countries mean business: Transfer pricing, investment treaty on the menu

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Both countries mean business: Transfer pricing, investment treaty on the menu

TIMES NEWS NETWORK

New Delhi: The first time Prime Minister Narendra Modi and US president Barack Obama met in November they salvaged a global trade deal.

On Sunday, when they meet to draw up a roadmap to strengthen ties, trade and economic issues will get top billing. There are two areas where US companies want predictability — taxes and intellectual property rights. Both are expected to see some movement. The joint declaration is likely to have a mention of progress made on IPR since Modi and Obama met in Washington. It's expected to signal "predictability" in Indian policy.

India is ready to commit to the signing of an advance pricing arrangement with US companies, which will be modelled on the one recently signed with a Japanese firm. The idea is to make the transfer-pricing regime transparent and hassle free for multinationals.

India and US are also expected to signal finalizing a Bilateral Investment Treaty to protect investor interests. India is close to finalizing the model agreement, which will be the basis for negotiations, sources said. The US is likely to press for a more liberal FDI

GIVE SOME, TAKE SOME

Trade with US			
India's exports	India's Imports	Trade Balance	
1999-2000	8.4	3.6	4.8
2000-01	9.3	3.0	6.3
2001-02	8.5	3.1	5.4
2002-03	10.9	4.4	6.5
2003-04	11.5	5.0	6.5
2004-05	13.8	7.0	6.8
2005-06	17.3	9.4	7.9
2006-07	18.9	11.7	7.2
2007-08	20.7	21.1	-0.4
2008-09	21.1	18.6	2.5
2009-10	19.5	17.0	2.5
2010-11	25.3	20.1	5.2
2011-12	34.7	23.4	11.3
2012-13	36.2	25.2	11.0
2013-14	39.1	22.5	16.6
2014-15*	25.8	12.4	13.4

*Apr-Oct; All trade data in \$billion, Source: Commerce dept

Trade Basket (\$m)			
Exports		Imports	
1999-2000	2013-14	1999-2000	2013-14
Gems & jewellery	2,936	Gems & jewellery	7,842
Apparel	1,478	Apparel	5,518
Carpets	306	Mineral fuel & oil	3,956
Fruits & nuts	290	Pharma	3,446
Iron & steel	251	Iron & steel	1,911
		Nuclear reactors etc	593
		Fertilizers	468
		Chemicals*	442
		Electrical machinery etc	356
		Imitation jewellery	244
		Nuclear reactors etc	2,723
		Imitation jewellery	2,131
		Chemicals*	2,130
		Aircraft, spacecraft	1,973
		Fuel & oil	1,531

* Includes organic, inorganic and other chemicals at 2-digit level

regime, a reform the Modi government isn't averse to, barring in sectors such as retail and e-commerce.

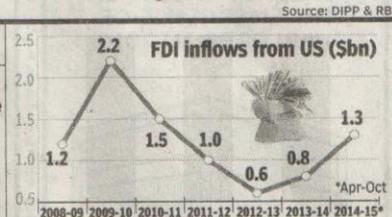
These steps are expected to smoothen the road for Modi's pet "Make in India"

project and ensure that India emerges as a major manufacturing hub.

There are areas where roadblocks are unlikely to be removed soon. These include India's long-pending demand

for a Totalization Agreement which would pave the way for IT professionals and other temporary workers to get a refund on their social security payments in the US.

"India perversely pro-



> Services trade more than trebled | \$10bn in 2005 to \$32.5bn in 2013

> Of services worth \$19bn exported to US, nearly 50% IT, R&D and consulting

> US service exports estimate \$13.5bn

> In 2013-14, US was India's largest merchandise export

market, fourth largest source of imports

> US second largest trade partner after China, trade at \$62bn

> In FDI inflows, US sixth largest source

> India is 8th fastest growing FDI source into US. 68 Indian companies have invested \$17bn

vides about \$3 billion foreign aid to the US.

Indian workers pay the US government by way of social security contributions that you can never recover... The Indian aid programme is involuntary. We want this changed and one major issue that must be addressed is a totalization agreement that'll allow Indian workers recover the \$3 billion aid they provide every year to the US," Arvind Subramanian, chief economic advisor, said last weekend.

Another irritant is the demand for more visas for India's IT professionals. The mood in the US has swung against outsourcing which is a key business for India's IT sector. Modi is expected to raise the demand again.

Apart from these two issues Indian CEOs are keen that US makes FATCA (Foreign Account Tax Compliance Act) rules easier for smoother remittances. India is due to sign the pact by month-end.

Although there's no move to sign a trade deal, Indian businesses are looking at hurdles to be removed for a trade pact. The issue of smart cities and some import curbs such as those on pomegranates and mangoes are expected to figure in the trade and investment dialogue.