

**H.E. Richard R. Verma, United States Ambassador to India**

**MAKING NORTH INDIAN STATES COMPETITIVE: PATH TO  
INCLUSIVE AND SUSTAINABLE GROWTH**

**November 17-19<sup>th</sup>, 2016 | Jaipur, Rajasthan**

---

Good afternoon everyone. It's a pleasure to be back here in historic Jaipur and to inaugurate this symposium on Making North Indian States Competitive. Let me first thank the Consumer Unity & Trust Society (CUTS) for their leadership and vision in organizing this event. Mr. Pradeep Mehta, we are grateful for the outstanding cooperation we have enjoyed with CUTS. To all the distinguished officials here from Punjab, Himachal Pradesh, and Uttarakhand, thank you for your support and the time you have taken from your busy schedules to participate in this symposium. The vibrancy of North India is palpable in this room. Bert Foer, thank you for your superb work at the American Antitrust Institute, we are privileged to have you here today.

Let me first start off by offering a snapshot of U.S.-India relations, particularly our growing commercial linkages and people-to-people ties. If you look back at the last 11 years, starting with the historic civil nuclear deal between President Bush and Prime Minister Singh, the U.S.-India relationship has undergone a far-reaching transformation, both in terms of our strategic convergence and our habits of cooperation. This transformation has gained new momentum in the last two years under the leadership of President Obama and Prime Minister Modi. We have reenergized some 40 different dialogues and working groups to ensure close coordination on the full range of strategic and commercial issues. Two-way trade between the United States and India has increased fivefold over the past decade, reaching \$109 billion. We're pleased India is hosting the Global Entrepreneurship Summit next year, which will be an important opportunity for India to showcase that it is open for business and innovation. Recognizing the critical role of states in India's economic growth story, we're also increasing focus on sub-national engagement, meaning we want to see more interactions between American governors and Indian chief ministers. And I'm pleased to say the real driving force of our relationship – people-to-people ties – continues to grow. Last week, we compiled the latest figures for Indian students studying in the United States and the results were astounding. The number of Indian students studying in the U.S. has reached 166,000, up 25 percent from last year. Everyone here in Mission India is proud of this new record.

North India plays an important role in the larger U.S.-India relationship. The economic dynamism of this region is remarkable as are its people-to-people ties with the United States. That's why last year the U.S. Embassy established a separate North India office. The U.S. Agency for International Development is also doing great work here. In fact earlier today, I attended the launch of a new USAID agricultural training program, which is partnering with the National Institute of Agricultural Marketing here in Jaipur.



Given this positive growth in our partnership, I am confident U.S.-India ties will remain on an upward trajectory, despite the upcoming political transition in the United States. The long history of bipartisan support for this partnership in both countries, and the increasing convergence of our strategic and interests, will compel the United States and India – “natural allies” in the words of Prime Minister Modi – to continue deepening our cooperation. This has been the case under both Democrat and Republican administrations.

Let me now focus on the central theme of today’s symposium: competitive federalism. If harnessed correctly, competitive federalism can stimulate innovation, boost economic growth, and improve government performance. Similar to how competition between companies can generate benefits for consumers, individual states in a federal system can compete with one another for investment and development solutions. This in turn can spur improvements in infrastructure and ease of doing business as well as government accountability. State governments can also gain more control over programs and budgets, resulting in citizens receiving better goods and services at a lower cost to the taxpayer.

We are seeing an increasing “race to the top” among Indian states to attract investment, including foreign direct investment. U.S. FDI to India currently stands at \$28 billion, up from \$7.7 billion in 2004, and there are over 500 U.S. companies active in India. Many of these companies want to invest more, and they are looking at states competing for their investment and attention, including here in North India.

Earlier this month, the World Bank along with DIPP released its “Ease of Doing Business Rankings” and I’m happy to see that nearly all of the north Indian states increased in the rankings, with three of the states making the top ten. These rankings are a sign that competitive federalism is taking root here in India as states work to build their brands as investor friendly destinations.

Competitive federalism is also part of America’s success story, going back to the earliest days of our republic. Alexander Hamilton, one of America’s leading Founding Fathers, applauded commercial competition between states. The famous French diplomat and political scientist, Alexis de Tocqueville, travelled across America in the early 1800s to observe the great experiment of federalism. He admired the decentralized system of the United States because it enabled the federal government to focus on national obligations, leaving the states to compete with one another to solve issues related to investment, infrastructure, employment, and labour mobility. Such a system, in other words, can help both states and the central governments leverage their respective strengths.

Let me highlight a few recent examples from the United States. The state of California has been a leader in the regulation of air quality, setting an example for the entire nation. State legislators in California and Texas have enacted laws mandating renewable energy targets, which has spurred IT and energy companies to setup operations and research centers in those states. Wisconsin pioneered, among other novelties, the income tax and a safety net for the unemployed years before these ideas became national law. States like South Carolina and Tennessee have reformed labour laws to make it attractive for car manufacturers to setup operations in those states. The state of Georgia, due to tax and labour reforms, has become an attractive alternative for those in the film industry who want to save money by filming outside of California. My home state of Pennsylvania has leveraged its proximity to world class universities and research institutions to attract investment in medical devices and bio-tech.



In essence, states have become "social laboratories" where we can experiment with a variety of potential solutions to social and economic challenges before scaling them up at the federal level. If the United States is to develop innovative and effective solutions to such problems as clean energy, crime, education, urban infrastructure, they will be forged by state governments working hand-in-hand with local communities and the federal government. I would suggest the same is true for India.

Let me conclude by underscoring why this symposium is so important. As the famous Harvard Business School Economist, Michael Porter, said, "Nations are most competitive when they have thriving competition within their domestic economy." Given the scale of opportunity for competition here in India, there are few other countries more exciting or important. India will one day have the world's largest middle class and the largest number of college graduates. 60% of the Indian population is under the age of 30, and by 2030, India will be the world's most populous nation and the third-largest economy. Two-thirds of the India of 2030 is yet to be built. If India seizes the full potential of the 21st century economy, it will transform the lives of more than a sixth of humanity. That's definitely a goal worth striving for. Moreover, India can share its insights and expertise with the world. The United States can learn lessons from India, given the similarity of our countries and how our states interact with each other.

I look forward to seeing which innovative programs and policies pioneered by Indian states will become future national success stories; I also look forward to this symposium and what we all can learn from each other. North India has phenomenal potential and I hope today's discussions will stimulate new ideas on how this region can take full advantage of the 21st century global economy. Thank you for inviting me and I wish you all the best.