KV Kumar – President & CEO, Indian American International Chamber of Commerce (IAICC)



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KV Kumar, head of the Indian American International Chamber of Commerce, gives an account of the bilateral trade relations between India and the US and candidly speaks about the opportunities for Indian generic companies in the world's largest pharmaceutical market. He addresses the need for supply chain diversification in light of COVID-19 and the continued importance for collaboration between the two countries.

Mr Kumar, could you outline the purpose and mission of the Indian American International Chamber of Commerce (IAICC)?

The IAICC was created 30 years ago in Washington, DC to promote and foster economic development between the United States of America and the Republic of India together with the rest of the world for the benefit of all.

The IAICC, with its international HQ in Washington, DC, is an umbrella organization providing a sustainable platform and leadership forum for entrepreneurs, professionals, businesses and governments in the United States and India to interact, exchange and promote economic development and improve relationship between US, India and the world. The chamber works with entrepreneurs, professionals, businesses and governments to develop entrepreneurship and commerce through mentor – protégé programs, training, seminars and networking opportunities.

In addition to conducting annual conventions, networking opportunities, mentor-protégé meetings, seminars, gala's, speakers' platform, hosting and participating in US and Indian trade missions, participating in business and community related activities.

IAICC has been working on many initiatives, including setting up 20 regional/state chapters and launching a major membership drive with a set goal of attracting 5,000 members by the end of 2020 and over 10,000 members by November 2021. This year, the chamber had great plans to celebrate its 30th anniversary; however, due to the ensuing COVID-19 pandemic, we will have to postpone this celebration.

We are currently working with our partner organizations and corporations to develop strategies to mitigate the impact of the pandemic on business operations to ensure that all our geographic chapters and affiliates are stabilized afterwards. We will also work with both the US and Indian governments to support companies in both countries.

Although India has displayed a tremendous upwards trend since the end of the 1990s, its economic and trade intentions are at times hard to read – and appear to be a recollection of individual enterprise actions and the will power of its formidable entrepreneurs. How does that impact your ability to sell India's trade possibilities to a partner like the USA?

There has been an economic upward trend in both India and the US: India, after it adopted privatization in the late 1990s and in the US following 9/11, which resulted in a tremendous outsourcing boom to India and demand for IT professionals.

The second outstanding growth from an Indian perspective started in 2014 after newly elected Prime Minister Narendra Modi took numerous pro-business initiatives to grow international businesses. After a massive mandate in the 2019 election, Prime Minister Modi is now initiating an even more aggressive pro-business agenda.

India has made significant strides to improve the economic environment through deregulation and access to capital. This will help establish new businesses and aid the growth of existing businesses. Frankly speaking, it is easier for us to sell India's trade possibilities in a competitive market and the fact that India has a large population of young people helps naturally.

We have a lot of successful enterprises in the United States and India and the individuals who are heading these fine corporations are very talented and have excellent trade and personal

relationships with both countries. Their professional and personal contributions are very important for the good relationships between the two countries.

What are the hot areas of India-USA commerce today? Are there some evident complementarities?

Information Technology continues to be an important sector between the two countries. India was upgraded to SAT1 (same status as a NATO partner), resulting in procurement with fewer restrictions, which will help increase its trade with the US, especially in Defense, Aerospace and other fields related to Artificial Intelligence. India is also doing some innovative work in healthcare, pharmaceuticals & medical technology, energy production, agriculture and the wider agro-industry. These are key areas where both countries can benefit. There will be new and innovative openings in other upcoming fields, such as innovative and alternative medicine, medical supplies, online education, and especially in Math, Science & Engineering fields.

The United States exported around USD 1.5 billion worth of agricultural products to India in 2018 and imported USD 2.7 billion. Exports to India include fruits, nuts, legumes, cotton, and dairy products, which are important to the economies of California, Montana, and Washington. On the other hand, India’s main export-oriented sectors include pharmaceuticals, textiles, agricultural products and automotive parts, among others. Overall, India’s trade with the United States rose to USD 92.08 billion in 2019. That’s 5.2 percent above its total trade in 2018. US exports to India increased 3.89 percent while US imports from India rose 5.99 percent. The US trade deficit with India in 2018 was 23.26 billion.

The US, with its very elastic job market, ever-growing consumption and constant positive GDP is high on the trade and commerce agenda of seemingly every other country. Can India compete for the hearts and minds of American trade bureaucrats?

Prime Minister Narendra Modi’s innovative and constantly improving the business model for India will be paying off greatly in the long run. This combined with President Trump’s negotiation skills will do good for both countries. Negotiations are always, “Give & Take”.

For the very reason that growing consumption and positive GDP growth is high on the agenda of American trade, India, with its young workforce and growing middle class with disposable income, is very attractive to American business as we look for expanding market opportunities for our

goods and services.

A recent economic survey in India claimed that India's economic growth is expected to "strongly rebound" to 6-6.5 percent in 2020-21 from 5 percent estimated in the current fiscal year, adding that the government with a strong mandate has the capacity to expedite reforms.

On 2019-20 GDP, the report said the estimate of 5 per cent growth suggests an uptick in expansion for the second half of 2019-20.

According to the Foreign Direct Investment (FDI) statistics released by The Department for Promotion of Industry and Internal Trade, Government of India, the US is the sixth-largest source of FDI into India. The cumulative FDI inflows from the US ranging from April 2019 to June 2019 amounted to USD 27.01 billion constituting six percent of the total FDI inflows into India. Between April 2019 and June 2019, FDI from the US stood at USD 1.46 billion.

According to a report from Confederation of Indian Industries (CII) "Indian Roots, American Soil", Indian investment in the US amounts to USD 18 billion, based on a survey of 100 Indian companies across 50 states in the US.

And we have Government initiatives such as the Trade Policy Forum (TPF), Commercial Dialogue, Global Entrepreneurship Summit and others to keep our trade ongoing.

In the field of life sciences and generics manufacturing in particular – what Indian companies have accomplished in the USA is incredible. Today, Indian companies have a combined market share of 25 percent of the US generics market. Has this been achieved through any common policy from the Indian manufacturers or is this it the fruit of individual achievements?

While I am unaware of a common policy approach, this can definitely be attributed to individual achievements, which showcases the strength of the Indian schools and the focus on genomics. You can expect breakthroughs in genetic research from India, and this can be very complementary to the work being done in the US

The Drug Price Competition and Patent Term Restoration Act or informally known as the Hatch-Waxman Act, encouraging the manufacture of generic drugs was passed in 1984. The obvious advantage of generics is the ability to launch the medication quickly and at a lower cost, typically 30-80 percent. India too, for its part, started an initiative in 2008, called "Jan Aushadi" (a Hindi

word literally translated as “Medicine for People”), to promote the availability of quality generic drugs especially to India’s poor and disenfranchised.

Like India, the expectation in the US with respect to generics is the availability of drugs to a larger number of people in a more cost-effective manner. The generics market has been evolving tremendously over the past few years especially during the Trump administration, with a policy push to reduce drug prices, and subsequent promotion of increasing the production and utilization of generics where available.

The advancement in policy and approvals has been a multi-step process with input from both the US and Indian governments in an attempt to improve the process for approvals of manufacturing and other processes. Ultimately, the appropriate availability of generics in the US market will help with larger treatment options for US patients, without the traditional costs of branded products.

The journey has not been without several missteps, including FDA inspections that resulted in grave fines and product recalls. Does India, due to its asymmetric economic development, still hold issues related to process and quality?

India is growing rapidly and is continuously balancing exponential growth with quality assurance. What India offers is a focus on the rapidly expanding lower middle class with high quality, low-cost goods and services – a segment not typically addressed by US businesses. Nevertheless, the American consumer will definitely benefit from the products and services produced by this Indian effort.

This has been a learning curve both for Indian manufacturers and for the FDA with respect to drug approvals. Over time, both have been able to solidify their expectations of each other to enable the process to function better. More recent as well as ongoing approvals have resulted in more favourable outcomes as India is serious about producing quality drugs and – given that a fair portion of generics on the US market (~ 40 – 50 percent) originate from India, the US has a vested in interest in having Indian generics on the market as well.

The correlation between APIs, drug supply and access is becoming worrisome; especially as part of the Indian pharmaceutical supply chain relies on Chinese API supplies. Do Indian manufacturers run the risk of being intermediaries in a supply chain that seems less and less reliable?

One thing that this pandemic has highlighted to all countries is the vulnerability of depending on a single country for a sole source in the supply chain. I expect that all countries, including India, will work very hard to diversify the sources in its supply chain. This may include bringing back parts to India as well as developing supply sources in other countries.

While Indian manufacturers rely on China for a fair amount of Active Pharmaceutical Ingredients (APIs), about 30 percent of those processes still happen in India. Across the board, the COVID-19 pandemic will impact the global pharmaceutical supply chain, which relies heavily on China and India, with India importing key raw materials for drug production from China. Right now, the FDA is closely monitoring the supply chain with the expectation that there will be an impact from the COVID-19 pandemic. However, so far there have been no specifics provided on the exact impact the current crisis may have. It is a fluid situation that will be closely observed as we navigate through it.

Most of the Indian pharmaceutical manufacturers already have a very strong foothold in the US, a nation that represents enormous opportunities. What is the most promising area of development for Indian manufacturers on US soil?

Indian manufacturers excel in high volume, low cost manufacturing. Indian researchers in the US pharmaceutical industry are some of the best in the world, and funding of promising companies has never been an obstacle to growth. Indian manufacturers in the US continue to work with FDA and other experts to present innovative approaches to the development of drugs and biologics, in addition to generics. There are not only strong scientists but also robust financial backing that has definitely set this market up for success. Finally, the pharmaceutical, medical equipment & medical supply industry has no limits for innovation & growth.

The Onslaught of COVID-19 pandemic has the whole world rethinking of strategies in the areas of medical research, pharmaceuticals and preparedness for handling, mitigating and treating future pandemics, epidemics and biological warfare. India with its vast pool of scientists, engineers, medical professionals and the ancient knowledge of alternative medicine can contribute significantly for future avoidance and cures of mitigation and treatment.

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