

India's Links to Silicon Valley Grow

Sean Randolph – May 15, 2023

India's economic ties to the San Francisco/Silicon Bay Area are continuing to grow, led by reform and growth in India, Silicon Valley's global reach, and geostrategic alignment between India and the US. These ties have been building for some time. What's new, however, is the acceleration.

Let's start with geopolitics. Faced with aggressive policies and an ominous convergence of ideology and technology in China, policy perspectives between the U.S. and India are increasingly aligned. Points of connection include the Quad (linking India, the U.S., Japan and Australia), the U.S.-India Initiative on Emerging and Critical Technologies (iCET), and deepening exchanges on the resilience and security of supply chains. It's not an alliance and differences remain, but as democracies with value systems built on the rule of law and market principles the interest in building collaborative partnerships is strong.

Partnership also builds on economic reforms that have reduced barriers to investment and generated growing markets. India's economy is expected to grow 6.3% in 2023, and FDI inflows have increased from \$60 billion in 2016-17 to more than \$83 billion last year. India has steadily moved up in the world rankings for economic competitiveness, from #60 in 2017 to #40 in 2022.

Openness to foreign investment (FDI) is a big factor. Initiatives like Make in India are also producing results. Electronic goods production has more than doubled and India is now the world's second largest producer of mobile phones. Most important are India's digital initiatives such as the Ayushman Bharat Digital Mission and the Universal Health Interface (UHI), the United Payments Interface (UPI), and Aadhar, the world's largest digital identity system with 1.3 billion users. This growth of digital infrastructure is extending both opportunity and services throughout the country, enabling an explosion of mobile, cloud, data analytics, fintech, healthtech and other services, as well as a surge of startups with over \$400 billion in valuation.

This is where Silicon Valley comes in. Silicon Valley venture firms are among the largest investors in India, with Sequoia Capital number one by number of deals from February 2021 to February 2023 (170).

Leading corporate investors from the Valley include Cisco (with its second global headquarters in Bangalore), Google (with \$10 billion in new investment planned over 5-7 years), Meta (with 487 million WhatsApp subscribers and also planning major investments), Twitter (India is the company's third largest market after the US and Japan), Salesforce (India is the company's second largest employment center after the US), LinkedIn (with India its second largest market after the US), Apple (now producing its top-line iPhone 14 in Chennai and Tamil Nadu), and Intel (with nine design and engineering facilities with 14,000 employees, including its largest design and engineering center outside the United States).

Even in a slowing world economy that growth is continuing. In 2022 Bay Area companies invested a record \$1.36 billion in India, surpassing 2021's \$1.35 billion. The great majority of this investment was in the ICT and electronics sector with most going to five states: Karnataka (Bangalore), Maharashtra (particularly Mumbai), Telangana (Hyderabad), Tamil Nadu (Chennai captures most), and Haryana (Gurgaon). These also happen to be the five states at the top of the competitiveness rankings in the India Innovation Index. Though at a smaller scale, India's leading ICT and technology companies – Infosys, Wipro, Cognizant, TCS and Tech Mahindra – all have a major presence in the Valley, in some cases with thousands of employees.

The U.S. relationship with India has its share of debates. Trade protectionism – in electrical vehicles for example – remains an issue and there has been extensive debate over where personal data can be stored, inside or outside India. In the latter case in particular, the government has been open to input in the drafting process, and the 2022 Personal Data Protection Bill brings the issue close to resolution.

All this leaves India and Silicon Valley with a broad range of opportunities: in fintech, edtech, pharmaceuticals, healthtech, renewable energy, electrical vehicles,

semiconductors, smart infrastructure, and space. It also opens deeper conversations around defense, critical and emerging technologies, standards, climate change, startups, AI, and resilient supply chains. As India shifts from being a global back office to an innovation and technology co-creator, and as India and the United States become more politically aligned, the partnership with the U.S. and Silicon Valley that results represents one of the great economic opportunities of the coming decade.

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