

PERSPECTIVES

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GUEST VIEWPOINT

HOW CONNECTED ARE INDIA AND SILICON VALLEY? LET'S COUNT THE WAYS.

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With Indian Prime Minister Narendra Modi back in the United States this week, it's worth taking a fresh look at India's economic connections to Silicon Valley and the Greater Bay Area. Led by the dramatic acceleration of India's digital economy, the maturing and growth of its startup environment and the deepening geostrategic alignment between India and the U.S., these ties continue to grow.

Let's start with geopolitics. Faced with aggressive policies and an ominous convergence of ideology and technology in China, U.S. and Indian officials see their policy perspectives increasingly aligned. Among the

points of connection between two of the world's biggest democracies is the Quadrilateral Security Dialogue, better known as the Quad, which connects India, the U.S., Japan and Australia. Others include the U.S.-India Initiative on Emerging and Critical Technologies (iCET) and deepening exchanges on the resilience and security of supply chains.

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 foreign direct investment

(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, rising from 60th in 2017 to 40th in 2022.

That openness to foreign investment 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 a number of digital initiatives India has underway. The growth of digital infrastructure is extending both opportunity and services throughout the country, enabling an explosion of mobile, cloud, data analytics, fintech, health-tech 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, 170 of them from February 2021 to February 2023.

The Valley's tech giants are leading corporate investors in India. San Jose-based Cisco Systems Inc. has its second global headquarters in Bangalore. Alphabet Inc. has \$10 billion in new investment planned over the next five-to-seven years. Meta Platforms Inc. counts 487 million subscribers to its WhatsApp platform in India and has major investments planned. Apple Inc. is now produc-

ing its top-line iPhone 14 in Chennai and Tamil Nadu. Intel Corp. has nine design and engineering facilities with 14,000 employees in India, including its largest design and engineering center outside the U.S.

Even in a slowing world economy growth continues. In 2022 Bay Area companies invested a record \$1.36 billion in India. The great majority of this investment was in the information and communications technology (ICT) and electronics sectors 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 ICT 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 Indian 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 financial, educational and health technologies along with pharmaceuticals, 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, the partnership with the U.S. and Silicon Valley that results represents one of the great economic opportunities of the coming decade. **Z**

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