
U.S.-India Business Council's 32nd Annual Summit

With Ambassador Susan C. Schwab

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As Prepared for Delivery

INTRODUCTION

- Thank you Ambassador Wisner and Mr. Gupta. Minister Nath, USIBC Chairman [Chip] Kaye, USIBC President [Ron] Somers, members of the U.S.-India Business Council and friends of India.
- Wow! This is quite a crowd. The size and composition of this group is a convincing sign that India has emerged as a country of vast potential for international trade and investment. Note I said potential – because, notwithstanding India's recent rapid economic growth, so much potential has yet to be realized. The question of course, for economic policymakers – including my friend Kamal Nath – is how to achieve that potential. In large part, it is a question that must be answered by Indians, for Indians. But part of the answer will inevitably have to do with how India relates to the world and vice-versa. And there, I believe friends do have something to offer. Simply stated: there are new challenges and new opportunities in our bilateral and multilateral trade relationship, and today I want to talk about both.
- When I reflect on the incredible growth of the U.S.-India Business Council – and the disappointing outcome of the G4 meeting in Potsdam last week on

the Doha Round – it seems that we may be at a crossroads in the international trading system, and that the path that India takes at that crossroads will have a profound effect not just on the Indian economy, but on the economies of other developing countries that look to India for leadership, and to the trading system itself.

- The old paradigm of an elite clique of developed countries in one camp and, essentially, the rest of the world in the other camp has been shattered. The old North-South divide no longer captures the complexity of the new system that is emerging with all of its crossover alliances and the spectrum of common interests between the developed and developing world. And while the rhetoric of north-south divide may still get trotted out from time to time, it simply no longer resonates with reality or with the increasing numbers of people who look to the global economy as a source of opportunity, not oppression.
- I want to emphasize the United States welcomes this phenomenon. I am delighted that countries like India, Brazil and China are now considered major players in the trading system. They are in the inner sanctum where high stakes negotiations to shape the global trading system take place. This is great. It is clear recognition that they have important stakes in the global trading system. And it affirms that trade works. The world the United States and other countries envisioned after World War II is becoming a reality.
- But here's the rub. With privilege, comes responsibility. Including responsibility to maintain the global system – even when it involves some

sacrifice. Responsibility to remain engaged and constructive, even when the sledding is pretty tough. And above all, a responsibility to the others, not in the room, whose economic health depends on the global trading system.

- In particular, there remain hundreds of millions of people living in dozens of countries who are in a decidedly different phase of development than those wielding growing economic clout. We owe a special responsibility to those countries.
- Let it be clear, the United States and other developed countries must and should and will continue to shoulder the greatest burden in opening markets, and generating the new trade flows that will benefit the world's developing nations. America's markets are already significantly open to the exports from around the world, and we are committed to maintaining this openness. We have comprehensive trade preference programs to try to give a further leg up to the least developed countries, and we are constantly seeking to improve those programs. We supplement those programs with billions of dollars of trade capacity building each year. We all benefit.
- However, in this era, some of this market opening burden must be borne by other emerging players as well. The question we grappled with in Postdam, and came up wanting, was what do the emerging trading giants, like India, like Brazil, like China -- that are among the fastest growing economies in the world -- intend to do with their new roles and their new economic power in support of the multilateral system? What do they want the international economic infrastructure to look like? What role will India

and its fellow advanced developing countries play in helping all of us address the needs of the poorest populations? Are they prepared to make the commitments and the sacrifices that come with their newfound responsibilities? Do India and other major new players truly share with the United States a common vision and set of goals for the global trading system?

- I wish I could answer that question. But I had to leave Potsdam last week unable to. Maybe India, Brazil, and other countries need to reflect on that question as well.
- The United States went to Potsdam genuinely believing that a successful agreement to fulfill the Doha Development Agenda was possible and within reach. We stretched and we were willing to stretch even more – as was Europe – in order to conclude a comprehensive, ambitious Doha Round agreement.
- Therefore, we were so very disappointed that the convergence we hoped for failed to emerge. From the U.S. perspective, there is too much at stake to walk away, and we remain committed to the multilateral trading system and will meet our leadership responsibilities to it. Perhaps India and other major trading countries are still assessing their new responsibilities. It is my earnest hope that they come to terms with the reality that the benefits of accepting responsibility will dwarf the political and economic challenges of doing so. [pause]
- And the rewards can be so great; the benefits tangible – as we learned from a truly “great moment” in bilateral trade that occurred in this very building

nearly two months ago and the important symbolism it offered. It was here, in a room down the hall packed with enthusiastic Americans and Indians and Indian Americans, that Secretary Johanns, Ambassador Sen and I celebrated the long overdue arrival of Indian mangoes in the United States. Working together tenaciously, India and the United States had finally solved the last remaining health impasse. The excitement was palpable as we celebrated this shining example of the win-win nature of trade. American consumers can enjoy a delicious product. Indian farmers get access to the largest market in the world.

- And that was just mangoes! When I look around this room, at the companies represented, it is clear that the potential for more win-win trade arrangements is almost beyond calculation. But we have to create an environment that will permit this to happen.

THE BILATERAL AGENDA: A VISION FOR THE FUTURE

- So much has happened on the economic and trade front since I joined this gathering one year ago. We are now, for example, well on our way to a \$60-billion two-way trade relationship and on course to achieve the ambitious goal of doubling trade in three years set by President Bush and Prime Minister Singh in 2005.
- In April, I had the pleasure of spending more than four days in India. While there, Minister Nath and I co-chaired the fourth ministerial meeting of the Trade Policy Forum, or TPF. We can claim a few successes. I mentioned mangoes. We have also enabled the safer, more efficient basis for

expanding exports of U.S. almonds to India and the far reaching certification of Indian organics for the U.S. market. The TPF helped India complete of pragmatic telecom FDI guidelines which enable U.S. telecom service providers to play a role in the burgeoning Indian telecom sector. We have reached agreement on emission norms for heavy motorcycles.

- Needless to say, much more remains to be done. Financial services in both directions, lowering trade stunting tariffs and foreign direct investment caps in India, and helping channel India's interest in agricultural market access and movement of persons to the United States in a manner that respects U.S. concerns AND facilitates trade and investment. We are on the job.

FOUR AREAS OF COOPERATION

- As we look ahead to the coming months and years, there are four broad areas where we have the opportunity to reach the heights envisioned – first by President Bush and Prime Minister Vajpayee and later by Prime Minister Singh – when our two leaders set the course for our strategic partnership.
- First, we need to improve the investment climate in both directions. Minister Nath, at every opportunity, you call on the world's business leaders to take advantage of India's technological surge and vast human resources in their companies' plans for future growth. Some companies are responding to this call – and succeeding. Many more would like to.

- However, inadequate infrastructure and often complex investment policy framework and approval process continue to inhibit their ability to include India in their business strategies. As a result, investment flows to India are modest relative to India's potential and in comparison to other emerging economies.
- Second, intellectual property rights have taken on an increasingly important role in the trade realm. I am pleased we have established a dialogue between our two governments on these issues. Now we need to turn dialogue into action and create an IPR climate with India that is as strong as the U.S. enjoys with its closest trading partners.
- Third, our respective agricultural sectors play key roles in our efforts to enhance two-way trade. During my visit to India in April, I spent some very rewarding time in the rural areas of West Bengal. I found the state government and the people there eager for stronger economic relations with the United States and hopeful about what that relationship promises, including on the agriculture front.
- But phytosanitary issues and tariff hurdles still seriously impede trade and we need address these. And, a fact that everyone seems to appreciate except some key lawmakers who hold the power to make a change, opening India's retail sector to FDI will have immediate and dramatic benefits to India's rural sector. Indian firms are stepping up such investments; healthy competition with foreign investors can only benefit the Indian consumer and Indian farmer.

- These livelihoods of Indian farmer are significantly benefiting from upgraded supply chains, cold storage, marketing and general infrastructure for getting food to market.
- These efforts in agriculture have the potential to create new opportunities in manufacturing and other sectors, with the potential to benefit, broadly, hundreds of millions of people in India.
- Fourth, a critical part of the future for the U.S.-India cooperation will be in strategic sectors, most critically nuclear energy and defense. In both areas, we have begun to do what was unthinkable just a half a dozen years ago. In essence, through enlightened leadership of our two respective heads of state in framing a new vision, cooperation and trade in these sectors will open opportunities for collaboration in areas that are the heart and soul of our national security.
- Finally, a critical part of the future for the U.S.-India commercial cooperation should include nuclear energy and defense. In both areas, we have begun to do what was unthinkable just a half a dozen years ago. In essence, through enlightened leadership of our two respective heads of state in framing a new vision and pragmatic support here in Washington from Capitol Hill, collaboration in these critical areas are on the horizon.
- Whatever the changes to policy and law desired by Indians and Americans, private sector enthusiasm and interest will be the catalyst for progress. Participants from India's and America's private sector – entrepreneurs and workers; both domestic and foreign – are the most critical drivers of

economic growth and opportunity. Minister Nath and I can only work to create the economic environment to enable your efforts to succeed.

CONCLUSION

- Let me close my remarks by saying that the United States is deeply committed to liberalized trade and an open investment climate. This policy has remained the bedrock of American prosperity and global leadership for more than 70 years and it will continue.
- We hope India shares this commitment and will take up the responsibilities and challenges that come with being a leader in the global trading system.
- I also would hope that India's leadership will retain the non-partisan commitment to economic reform that has paid such dividends to the Indian economy over the past 15 years. And surely, those homegrown successes will encourage India to embrace more farsighted and constructive approaches to international trade negotiations like the Doha Round.
- Mr. Minister, our hopefully temporary disappointment over Potsdam notwithstanding, we still have much we can accomplish together in pursuit of our shared goals. Our two great countries have so much to gain from deeper and stronger trade and investment ties – both bilaterally and multilaterally. We must commit ourselves now to turning dialogue into action; to and stretching beyond previous limits.
- Thank you.