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Speeches and Remarks

"ADVANCING U.S.-INDIA ECONOMIC RELATIONS"

Remarks by U.S. Ambassador David C. Mulford

ICC/IACC Luncheon
Calcutta, August 18, 2005

As prepared for delivery

Ladies and gentlemen, thank you for coming today and hosting me in your wonderful city. I am especially grateful to have the opportunity to speak to your two distinguished Chambers, and I would like to thank President Umang Kanoria of the Indian Chamber of Commerce (ICC) and Ashok Aikat of the Indo-American Chamber of Commerce (IACC) for organizing this joint meeting.

Also before I begin, I would like to congratulate the ICC for being selected as one of the best chambers in the world by the World Chambers Federation of the International Chamber of Commerce. The ICC's outstanding initiatives in improving the environment have certainly garnered them worldwide recognition.

This is second time that I am addressing an Indian business audience since returning to India a few days ago. The first was this morning at a forum where I spoke of HIV/AIDS, an issue of the greatest importance to our two nations, and the role of the corporate sector in workplace interventions.

Now, I would like to address U.S.-India relations more broadly, and in particular the economic dimensions of our growing strategic partnership. I want to use this opportunity to say resolutely that U.S.-India relations are at an all-time high after the visit of Prime Minister Manmohan Singh to the U. S in July. Our two great pluralistic democracies are now positioned for a partnership that will be crucial in shaping the international landscape of the 21st century.

During your Prime Minister's visit to Washington, he invited the people of America to complete the "unfinished" voyage of Christopher Columbus, who, setting sail to India, discovered America. We in the U.S. have enthusiastically accepted this invitation. President Bush is serious about his vision for a U.S.-India relationship and he clearly welcomes India's ambition to become a world power.

As the President said when he greeted the Prime Minister at the White House on July 18, "The United States and India have built a relationship of great potential as we face this century's challenges. We look forward to building on our strong bilateral relationship to expand our economic ties and to lay the foundation of peace and prosperity for our children and our grandchildren."

The wheels are now in motion for us to expand the U.S.-India strategic partnership in four important areas:

- Putting in place economic policies that will unleash private investment and create new jobs all across India - including here in West Bengal;
- Assuring that India's energy requirements are met through the use of new and renewable technologies, including civil nuclear; and
- Building regional stability through strategic and military cooperation.

As two great democracies, working together to advance the cause of freedom and democracy in the world, our respective private sectors will play a key role in all these areas.

It is my firm belief that India can be a development model for

the world by demonstrating the ability of a multi-ethnic democracy to deliver sustained growth and prosperity to its people. Our governments have agreed at the highest levels that, as the world's oldest and largest democracies, we must work together to create a world in which all democracies can flourish and a world in which terrorists find no fertile ground to plant their seed.

The U.S. commitment to develop deep economic and commercial ties with India has never been stronger. U.S. exports to India are up by 50%, and India's exports to the U.S. are up by 15% for the first quarter of 2005. We have put behind us a number of troublesome commercial disputes and are working cooperatively to boost trade and investment. The recent Open Skies Agreement with India is already increasing air traffic and creating new jobs, and India is finalizing a large order for Boeing aircraft. Our revitalized Economic Dialogue focuses on finance, trade, commerce, energy and the environment.

This renewed commitment on both sides to building the economic relationship has been noticed in the U.S. business community. Our engagement has strengthened business confidence. We are welcoming more U.S. business delegations in India than, including many sponsored by individual U.S. states. To make sure that they come not just with their notebook open, but also their checkbooks, we have helped facilitate a new business grouping called the CEO Forum. For those of you who may not have heard of this, the Forum consists of twenty of the most prominent CEO business leaders in the U.S. and India, ten on each side. They have been asked by President Bush and Prime Minister Singh to identify ways for our two governments to further build business confidence and remove barriers to trade and investment to propel growth, job creation, and delivery of social benefits to our people. I want to point out that this Forum is entirely independent of our two governments and collectively represents trillions of dollars of investment capital.

Private enterprise and free markets are key to long-term progress. If we get our policies right, investment will flow and our economies will flourish. Effective public-private cooperation will address economic growth and development

challenges far more effectively than micromanagement by governments. Governments are not the creators of wealth, the makers of markets, the wellspring of human energy and ingenuity. These are the productive forces of individuals, which governments must make special efforts to promote. Business activity and people-to-people engagement will be critical to the transformation of U.S.-India relations. In fact, at this very moment the Indian Chamber is leading a delegation of senior legal professionals from Calcutta to the U.S. invited by the U.S. Council of State Governments and under the sponsorship of our Department of State.

Nevertheless, governments play an important role in setting the ground rules for much business activity. Prime Minister Singh and your leadership in West Bengal have put economic reform at the top of their agenda. They have displayed a remarkable sensitivity to the changing times and aspirations. The leadership in West Bengal especially has been able to introduce a new dynamism in the business and economic environment that has been drawing great attention from the business community in the United States.

As I am sure this audience is well aware, there are already several U.S. companies present in West Bengal. In addition to the West Bengal government's welcome of foreign investment, we have seen its recent efforts to promote growth, and its willingness to adapt labor laws to the special circumstances of the IT industry, and to close loss-making public enterprises. I recognize that these reforms must be politically viable to survive; yet there are a number of mutually beneficial strategic reforms that could contribute significantly to India's progress and encourage American business to invest in India's future.

The most prominent challenge is world-class infrastructure, which India must provide as a platform for sustained higher growth and rural development, especially in agriculture. Bringing together federal and state authorities and public and private players is essential.

Opening up sectors of the economy where private investment is now restricted, such as retailing, real estate, food processing, small-scale industry, and telecommunications will

improve rural connectivity and help generate the growth and revenue streams necessary to provide positive returns to infrastructure investment. We need to find ways to extend the success of information technology and innovative technologies to the broader economy.

With proper roads, water delivery systems, and cold storage chains, the recently liberalized food-processing industry, as well as other forms of agribusiness, could become important sources of consumer benefit and rural employment. This is one area we wish to pursue under the newly inaugurated U.S.-India Agribusiness Initiative aimed at building partnerships among U.S. and Indian agricultural institutions. My impression is that agricultural processing, storage, refrigeration, and marketing have received too little private investment in large part because of government disincentives and inefficient infrastructure and marketing networks that reduces returns to such investment.

These areas have the potential to generate a virtuous economic circle, where rising productivity and certainty raise farm incomes and give rise to demand for manufactured products and services -- thereby benefiting all segments of the society. The experience of India and its Asian neighbors shows that continuing rural poverty stems not from too much economic reform but from too little.

Prime Minister Singh has identified energy security as a priority that must be addressed if India is to achieve its ambitious growth agenda over the coming decades. Adequate and reliable supplies of energy at reasonable cost are essential to fuel India's rapidly growing economy. With this in mind, our two nations launched the U.S.-India Energy Dialogue last May. The Energy Dialogue's goal is to increase energy security for both our countries by diversifying how we get our energy by expanding cooperation in areas such as clean coal, civil nuclear energy, and new technologies that open opportunities in renewable energy. This is an ambitious agenda to which the President has given his personal support.

The membership of the U.S. and India in The Asia-Pacific Partnership on Clean Development, Energy Security and Climate Change manifests our desire for a balanced and sustainable energy economy that helps preserve a clean

environment. This new results-oriented partnership will allow our nations to develop and accelerate deployment of cleaner, more efficient energy technologies to meet national pollution reduction, energy security, and climate change concerns in ways that reduce poverty and promote economic development. Building upon the broad range of existing cooperation, it is hoped that this effort will help mobilize secure, clean reliable and affordable sources of energy.

Two other areas that will require concerted action if India is to attract the huge investment it requires are the creation of true national markets and full protection of intellectual property rights. India's ability to implement a national VAT and remove fiscal and regulatory barriers to interstate trade -- a sort of free trade agreement among the states -- will create true national markets or a size and scale necessary to clinch business commitments. Continued progress in intellectual property rights, or IPR, is also necessary for India to attract more U.S. investment in biotechnology, pharmaceuticals, and clinical research. We share a major interest in science and technology, and India is proving to be a world-class player in these fields. As IPR protection improves, U.S. companies will become major investors, contributing capital, top quality science and technology, global management expertise, and new jobs.

It is increasingly understood that India has much to gain from bold initiatives that liberalize its economy and, in turn, generate broader political support through greater economic prosperity. Such reforms improve living standards in ways the average citizen can feel and understand. Political credit will accrue to those in government with the vision to effect such change. Impressive results in the IT and telecom sectors already demonstrate the dynamic of less regulation, free foreign direct investment, freer trade in services, and consumer benefit. Broadening our investment in both directions is firmly in the interests of both our countries.

The United States and India are also strengthening an increasingly dynamic strategic relationship. Cooperation on political issues -- from promotion of democracy abroad to global peacekeeping operations, to combating terrorism and WMD threats -- are at the core of the bilateral relationship.

Defense cooperation has reached new levels and military cooperation in the tsunami disaster was unprecedented. Defense Minister Pranab Mukherjee and Secretary of Defense Donald Rumsfeld signed a New Defense Framework for the U.S.-India Defense Relationship on June 28th. This agreement will guide our defense relations for the next decade in a wide variety of areas, including the enlargement of defense trade, improved cooperation between our armed forces, co-production of military hardware, and greater technology transfer. The successful cooperation of our two militaries during the response to the tsunami disaster last December was a remarkable testament to how far we have come, and the great potential we have for the future.

And may I also add - in a personal sense - that these developments in no way compromise India's sovereignty or independence, as sometimes one reads in the media. These are agreements between two equal, important partners, who look to the future and understand what some of their shared values and objectives must be.

Finally, as two great democracies, the United States and India have committed to work together to advance the cause of freedom and democracy in the world. At the White House, President Bush and Prime Minister Singh agreed on a Global Democracy Initiative that outlines our two nations shared commitment to democracy and belief that we have an obligation to the global community to strengthen values, ideals and practices of freedom, pluralism, and rule of law. With our solid democratic traditions and institutions, our two nations have agreed to assist other societies in transition seeking to become more open and democratic. We both recognize that democracy is central to economic prosperity and development and to building peaceful societies.

Concluding, let me say that Prime Minister Singh's visit to the U.S. has marked the next stage as the world's two largest multicultural democracies reach for new heights in their relationship. The challenge is now upon us to move forward in areas I have outlined above to make sure we do not miss a single opportunity to deliver quick results and demonstrate to the world that our two great democracies can act proactively and courageously to deliver economic benefits to all of our

people, as a beacon to other aspiring democracies around the world.

Thank you.

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