

**Remarks of Ambassador Susan C. Schwab
United States Trade Representative
Confederation of Indian Industry (CII)
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*AS PREPARED***

Thank you Mr. Singh and General Mehta . It is a great pleasure to be here in New Delhi and to be able to address this gathering on the subject of U.S.-India Trade Relations.

As you all know, Minister Nath and I have been closely engaged these past few months in dialogue that spans a host of bilateral and multilateral issues. What the Minister and I need you all to know is that our advocacy for our countries' industries goes FAR beyond rhetoric. Take the telecommunications sector, for example. The two of us have exchanged enough emails, faxes and phone calls to put smiles on the faces of Telecom shareholders from Bangalore to Boston.

In negotiations of the past few months, I've been labeled as tough and unyielding by critics in both of our countries. These characterizations may well be true, but let's face it, that one has to have a strong spine in order to match wits with tenacious, persistent and highly capable counterparts like Minister Nath. That said, it took less than 24 hours on the ground here in Delhi to be reminded of why Minister Nath is so dedicated to safeguarding the interests of this great country, with its truly warm and gracious people, boundless energy and limitless potential.

But think for a second, Kamal, that this means I'm going soft on you.

The fact is, we both represent large democracies, with richly diverse populations, a strong middle class, and millions of highly-educated professionals. Surely we have much to gain and nothing to lose by promoting a common language on international trade and commerce.

The fact is, the United States has a profound interest in India's emergence as an economic power. We are convinced that our shared values and common aspirations can merge to the mutual benefit of the citizens of both our countries – together, some 1.4 billion people.

U.S.-India Relations

Just over one year ago, President Bush met with Prime Minister Singh in Delhi – a watershed moment in our bilateral relationship that underscored how the United States and India can build a strategic partnership to meet the global challenges of the 21st century. Underlain by a common faith in democracy and pluralism, in political and religious freedom, and in the rule of law, the U.S.-India strategic partnership is strong and growing, with such notable recent accomplishments as the Civil Nuclear Agreement. And increasingly that partnership draws strength from our bilateral economic relationship as well.

Although this is my first trip to Delhi as the United States Trade Representative, I have traveled to India in the past and witnessed India's transformation over the last several years.

I am fortunate to have a great friend -- and good-natured sparring partner -- in your Minister of Commerce and Industry, Kamal Nath. We continue to work closely on issues of trade and commerce vital to our peoples. I thank him for his hospitality and am glad to share the dais with him today. He is a persuasive and tireless advocate for India's interests, which I appreciate.

I think Minister Nath would agree that we share common objectives in our respective trade agendas: shaping the trading environment – bilateral and multilateral – in a manner that brings lasting welfare and prosperity to our citizens. As we pursue this common objective, we each must weigh many domestic political considerations and how these interface with our numerous bilateral and multilateral trade relationships. This is not an easy task! Yet we continue to work to find common ground and strengthen our partnership through mutual respect and understanding. That is what President Bush and Prime Minister Singh envisioned.

My purpose here in India is twofold: First, to do what I can to expand and deepen our trade and investment relationship, especially through cooperation in the bilateral and multilateral arenas. The United States seeks to partner with India to our mutual benefit, to the benefit of our economies, our societies, and our global community.

Second, I want to come away from my visit to India with a deeper personal understanding of where India is headed, its challenges, and its aspirations. The United States believes deeply that a strong and successful India is good for our bilateral relationship, good for international trade, and good for world stability. We also recognize that India faces unique challenges as it transforms.

Consequently, I have made it a point to include on my schedule not just a visit to the seat of political and economic power, Delhi, but a visit to rural India. It is important to me to get a first-hand sense of the challenges faced by Indian farmers, as well as the growing opportunities that could benefit them through trade and foreign investment.

I also look forward to meeting and speaking with many of you and your public and private sector counterparts, to hear your thoughts and share perspectives. I come here to learn and to talk; maybe to haggle a little; but not to lecture.

U.S.-India Bilateral Trade

To many in the United States, the *Times of India's* "India Poised" campaign celebrating the 60th anniversary of Indian independence is aptly named. India is poised. In many ways though, it seems that India is more than poised. Its corporations are playing and winning right alongside the biggest economies and trading partners. Yet, I know India is not a monolith, any more than is the United States. Economically, we are both complex pictures – with strengths and weaknesses – and in a challenging process of change. Opportunities abound to propel us to greater heights. We just need to clear the path.

The U.S.-India economic and commercial relationship draws its strength from the growth of both of our economies. As India grows, for example, so does the performance and potential of our two economies, our two business communities, and our overall bilateral economic relationship.

The recent success of this relationship is self evident. Although India maintains a significant trade surplus with the United States, U.S. goods exports to India have grown by over two and one-half times in four years – from \$4 billion in 2002 to more than \$10 billion in 2006. Last year, total bilateral trade in goods rose to close to \$32 billion. Bilateral services trade totaled over \$10 billion. This year, total combined trade in goods and services could well surpass \$50 billion. This puts us well on the way to achieving the goal – endorsed last year by President Bush and Prime Minister Singh -- of doubling bilateral trade in three years.

India is playing an increasing role in the global economy, and wherever it competes in an open system, it is succeeding. We can work together to foster win-win opportunities and look for ways we can do better.

Trade Policy Forum

This morning, Minister Nath and I co-chaired our bilateral Trade Policy Forum. Established during Prime Minister Singh's visit to the United States in 2005, the Forum is the primary mechanism for working together on the policies and regulations that will enhance our bilateral trade and investment relationship.

So we have rolled up our sleeves and gotten to work: We seek to address numerous impediments, synchronize standards, and protect public health, while keeping trade flowing. We seek to bring down tariffs and other trade barriers that stifle trade, increase production costs, and raise consumer prices.

We met to take stock of progress and challenges in the five areas of focus in the Trade Policy Forum: tariff and non-tariff barriers; agriculture; investment; services; and innovation and creativity.

Since its recent inception, the Forum has helped facilitate increased agricultural trade in both directions, enhanced the investment climate, increased transparency in both of our governments, and worked to share knowledge and experience from our most innovative sectors.

U.S. almonds are now seen on Indian shelves, and in a few short weeks, Indian mangoes will enter the U.S. market for the first time.

There also will be greater flows of Indian organic products to the United States now that these goods can be USDA certified by Indian agents.

The Indian Government recently announced its guidelines for increasing FDI in the telecommunications sector to 74% – opening the way for partnerships with U.S. companies and fueling the continued growth of India's telecommunications infrastructure.

And we have received indications that the Indian Government will accept Euro 3 standards for heavy motorcycles, creating an opportunity for a niche in the Indian market. If tariffs were to come down, trade in this sector would steadily begin to flow.

Finally, we are pleased to announce the formation of a Private Sector Advisory Group of U.S. and Indian international business and trade experts to provide strategic recommendations and insights to the Trade Policy Forum. The membership of the Private Sector Advisory Group includes some of the most influential voices in the United States and India on international economic and trade policy, and Minister Nath and I look forward to receiving their guidance as we chart a path for our bilateral economic relationship.

As you can see, through the Trade Policy Forum and its various working level groups, we have created the architecture that will support a growing bilateral economic and trade relationship for years to come. This is, I believe, a signal achievement and one that should be celebrated.

Integrating India into the Global Economy (Segue to Doha Points)

Let me turn to another trade front where we share common interests and common objectives. The Doha Round of multilateral negotiations. I congratulate Minister Nath for having organized a stocktaking meeting on the Doha Development Agenda with our counterparts in the G4 and G6 groups of countries.

In addition to those meetings, we also look forward to holding bilateral Doha discussions with Minister Nath and his team.

We agree on the key objectives of the Doha Round to ignite economic growth and development by generating meaningful new trade flows. The Doha round offers a unique and expansive opportunity to help all Members – particularly developing country members -- by opening markets, cutting trade-distorting subsidies, enhancing transparency, and empowering entrepreneurs, workers and farmers to thrive in the global market place.

This demands a Doha outcome that is ambitious, comprehensive, and balanced – characteristics that are particularly important to developing countries, whose businesses and farmers still pay 70 percent of their tariffs to other developing countries.

This is a development round, which makes it useful to recall that countries that liberalized their trade in the 1990s ultimately grew three times faster on a per capita basis than countries that maintained hefty trade barriers.

The United States is committed to a successful conclusion of the Doha Round that fully embraces the economic growth and development objectives that launched the Round. The World Bank estimates that a successful Doha Round could lift many tens of millions of people out of poverty. What a tremendous opportunity for us all.

India Trade Data

India also has an enormous stake in an ambitious outcome to the Doha Round.

India already has one of the world's fastest growing economies and among the largest and fastest-growing middle classes. The potential for lifting millions from poverty has never been greater.

India's economic growth is being driven by the parts of its economy that are the most integrated into the world economy. Though Services and Manufacturing may be the wave of the future for job growth and contributions to GDP, a vibrant agriculture sector also has the potential to expand to new international markets to the benefit of the majority of India's current labor force.

I suspect it would come as a surprise to many here to learn that India actually maintains a trade surplus with the United States in agriculture, exporting over \$1 billion in 2006 alone.

The United States is working with India to cooperate in exploiting new knowledge and technologies to strengthen agricultural production. One of the major initiatives announced by President Bush and Prime Minister Singh, the Agriculture Knowledge Initiative, is devoted to this task.

U.S. Agriculture Secretary Johanns was in India last fall to promote further agriculture cooperation between our two nations.

Indeed, we are proud to see U.S. companies playing a growing role in and making significant contributions to India's agriculture sector. For example, the U.S. is India's largest export market for products such as cotton, basmati rice, and tea.

U.S. companies are already playing a constructive role in India with PepsiCo/Frito Lay and Heinz involved in successful contract farming and food processing operations, bringing Indian oranges, potatoes, and tomatoes to India's consumers. Other companies such as Cargill, and perhaps soon Wal-Mart, are also playing a role to bring Indian agricultural products to the Indian market, and eventually to global consumers.

Bottom line - trade can deliver for people and communities. I understand the importance of the social contract. It is important in the United States, and it is a central theme in India. I believe that free trade and a strong social contract can and should go hand in hand. It is not a zero sum game. Economic opportunity generated through trade enhances the resources available for all. More open trade can truly generate a win-win.

Doha State of Play

As many of you know, the Doha Round negotiations present great opportunity and great challenges.

The negotiations were suspended in last July, but we are now at a critical juncture. Only by working together we can put Doha back on path for successful outcome.

I am encouraged by recent efforts by all WTO Members to move the negotiations forward. No one should be left behind in our work, nor should there be an expectation that one or two countries alone can carry the burden of a successful Doha outcome.

Along with the U.S. and the EU – both India and Brazil are now considered “major” players in the global trading system. As key leaders we carry an extra responsibility to advance the negotiations – to lead by example -- and we are working together to forge the path forward. A Doha success would be a historic achievement, an unprecedented boost to development. But to achieve that we all must contribute, developed and developing countries alike, particularly if all WTO Members are to embrace and benefit from our efforts.

Achieving real progress will take shared leadership—this is why the G-4 and G-6 and other key players have a central role in the negotiations. And we will all need to stretch politically to ultimately make this come together.

President Bush has made clear that we in the United States are ready to do our part – whether on market access or on trade distorting subsidies. But we cannot do it alone.

India is in a profoundly important position in these negotiations – one of a handful of countries that can make or break the Doha Round. Moreover, the nature of India's engagement will determine that of many other developing countries in the G-20 and G-33 groups that India helps to lead.

Since earlier this year, the United States and India have been engaged in a quiet, intense series of bilateral and small group discussions with each other and other trading partners, looking behind headline numbers to bridge gaps and to better understand each other's priorities and sensitivities.

We must work and move together – and we must do so soon – to realize the full potential of the Round.

Market access is the key to the development impact of the Round, and that is also true in the case of South-South trade between developing countries. Nothing will give a bigger boost to development than a strong market-opening outcome that generates new trade flows in all three major areas of the negotiations – Agriculture, Manufactured Goods, and Services. India has a greater stake than most in achieving such an outcome, positioned as it is for a strong outward-looking approach that will harness for its citizens what the global economy has to offer.

Ultimately, we must remember, these negotiations are about where we want our economies to be in the next 10-20 years, not the next few months. For India, continuing the process of reform in parallel with market liberalization will enable the globally competitive companies and entrepreneurs represented here in this room to thrive.

We must work together for the Doha Round to succeed, and I welcome Minister Nath and his team's commitment to concluding an ambitious agreement that we can all support. Last night, there was clear shared sense of urgency. We must translate that sense of urgency into action.

Conclusion

In conclusion, I am delighted to have this opportunity to contribute to the bold goals for the US – India relationship envisioned by President Bush and Prime Minister Singh. My meetings to date – with the Prime Minister, the Finance Minister and the Minister of Agriculture have all offered unique insights into the complex and exciting country that is India. My ongoing dialogue with my friend Kamal Nath is providing both of us with opportunities to expand the common ground that will benefit both of our peoples. And today marks my first opportunity to reach out and interact with India's exceptional business leaders. To exchange views and, above all, to enable me to listen and learn. The US – India strategic partnership offers unlimited potential to make progress in development, trade and investment.