

**REMARKS BY
AMBASSADOR ROB PORTMAN
UNITED STATES TRADE REPRESENTATIVE**

**Hosted by Federation of Indian Chambers of Commerce and Industry
Hotel Intercontinental, New Delhi, India**

November 12, 2005

AMBASSADOR PORTMAN: Thank you very much. We are fortunate to have Ambassador Mulford here representing the United States' interests. He also has an unusual background, in the sense that when I was in the first Bush administration, he was at the Treasury Department as the top international economics official, and then he went into the private sector, where he had a very distinguished career, and now for him to come back to take this very important post is indeed a blessing for us. And I think that it's fortunate for India, too, because you have somebody here in Ambassador Mulford, who is very respected, not just by me, but more importantly by our President, and by those in the legislature in Washington. So, thank you, David, and thank you for your good service here.

This is my first trip to India, as was said, and it will not be my last. It's been fascinating. I've thoroughly enjoyed it. I appreciated some good meetings today with the Minister of Agriculture and the Minister of Finance, also meeting with the American Chamber business groups, and I'm really looking forward to continued discussions with the group of Federation members who are here today. It's a distinguished group, and I appreciated hearing from Dr. Mitra already, and also from Mr. Kanwar. I leaned over to my friend Kamal Nath, and I said, "You must be using the same talking points as Mr. Kanwar, when he talked about mode four. But sincerely, it was good to hear that perspective, and, as you know, I've heard it delivered very eloquently by my friend Kamal Nath, over the last several months.

India's diverse cultures, traditions, rich history, and its vibrant democracy are all reasons that so many Americans have such a strong interest in India. To be here with Kamal, for me, is very special, because we have talked a lot about coming to India, we've talked a lot about the challenges that India faces in terms of its economic development, in terms of its subsistence farmers, who I have heard about this morning – Kamal, I want you to know – from some of your colleagues, and about the concerns of being sure that as the economy grows and liberalizes, that it's done in a way that's sensitive to India's special needs.

When I became trade representative, I immediately went to Europe for trade meetings, and on my first day on the job, Minister Nath invited me to his hotel for breakfast – I don't know if he remembers this or not – but, I was a little hesitant, because I thought, I'm just getting broken-in, getting to know some of the ministers, I'm not sure that I'll

have much to talk about at breakfast with Kamal Nath until I understand all the issues better. But of course, he immediately put me at ease. He was exceedingly polite, as he always is, but he also was good in terms of directing me a little bit, and focusing me a little bit. And of course, even in that first meeting, he was articulating well the needs and concerns of India. He does so very effectively. He represents his country well. He is viewed as somebody who also has the interests of the WTO round at heart; in other words, he believes in the power of trade, and therefore he has a lot of respect among his peers. Above all, I consider him a good friend, and I'm glad to be with him today.

It's good that we are friends, because we have had some tough issues to deal with in the Doha round. This was mentioned earlier, but the current state of the Doha round is one of those tough issues we've had to work through. We are both, I think it's fair to say, quite concerned about the direction of the round. We stand at a critical point in the negotiations. I think what is fundamentally at issue is what will the level of ambition be, how much are we going to be able to reduce tariffs and other barriers to trade. How much are we going to be able to reduce trade-distorting subsidies. Will this be a round where we can really say to our constituencies that there's something powerful here that will help to encourage economic growth in our countries, and indeed, to encourage global economic growth, and to help those countries who are the poorest of the poor, which is part of the objective of this development agenda round.

This may sound counterintuitive to some of you, but I actually strongly believe it's easier to sell a more aggressive round back home. Why do I say that? In the United States, and I won't speak for India, but in the United States, there are forces who are against liberalization, against the reduction of barriers, and their voices will be heard, one way or the other, whether it's a weak result, or whether it's a strong result. Unless it's a strong result, I'm not sure who's going to be standing with me. I would hope if it's a strong result, that everyone in this room will stand with Kamal Nath, and will be able to tell their constituencies – their employees, their shareholders, their directors, indeed the people of India – that this offers India opportunity and hope. Because India, as a growing economic power, has a strong interest in a global trading system that is fairer, that has a more level playing field. This is one reason that I believe that it's important to have an ambitious result to this round, in addition to it being, I believe, in the interests of the global economy and consistent with the Doha round spirit.

The United States, in order to make this round ambitious, delivered last month a proposal to try to jump-start the agriculture negotiations. In my first several months on the job, I heard a lot about how the United States needed to step forward and do more in terms of the reduction of domestic subsidies and export subsidies, and so we did that. And we did that, not without some price. Because back home, this is a very difficult issue. Our farmers and those legislators who support the agriculture community are very concerned that our proposal to reduce the domestic support be accompanied by also a reduction of the tariffs and other barriers to trade so that those same farmers who are being told they will now receive less in terms of support will be able to sell their products abroad. The United States, as you know, has relatively low tariffs. We have low tariffs across the

board. On average, our tariffs are about 4%. In agriculture, our tariffs are also relatively low. Other countries have much higher tariffs, and other non-tariff barriers.

Right now, we are in a position where, unless we can see a coming-together of not just reductions of subsidies but also of reductions of barriers in agriculture – taking the tax out, taking the tariffs out – it will be very difficult to have a coming-together in the Doha round. And it's not just the United States. Yes, for me it's important, because in order to have the subsidy reductions, we need to have the market access. But for so many other countries, including those represented by the G20 group of developing countries – of which Kamal is a leader – they, too, are pressuring hard for market access in agriculture. After all, this round, this once-in-a-generation opportunity to reduce tariffs, put agriculture in the center. Agriculture had been addressed in the previous round, the Uruguay round, but frankly, agriculture had never been much considered in these global trade talks. And so many developing countries have a comparative advantage in agriculture. I believe that this is an opportunity for them to be able to sell some of their products, particularly in the developed country markets, but also into other developing country markets. So unless we can solve this problem on agriculture, it is difficult to move on and to have a successful conclusion to the other very important aspects of the round, including reducing industrial tariffs under the so-called NAMA discussions. Including reducing barriers to services, where India has played a leadership role. Minister Nath and I co-chair the core group on services, where we are trying to be sure that the barriers to services trade – where India has a comparative advantage now, and will have even more of an advantage over the next decade – will have a fair shake.

The European Union has had great difficulty agreeing to a proposal that reduces the tariff barriers in agriculture to the point where there is real market access. Until they can do that, until they can come up with a proposal that is balanced, that reduces their subsidies, but also reduces their tariff barriers, I think it will be very difficult as a practical matter for us to come together and have a successful round.

On our bilateral relationship, India and the United States are also working very closely together. Today, in fact, at our Trade Policy Forum, we will be talking about these multilateral issues I just discussed, with the WTO, but also our bilateral relationship. And in my view, the India-U.S. relationship has never been stronger. Over the past four years, the United States and India have reached unprecedented levels of cooperation in so many areas – anti-terrorism is one, military-to-military relations, and regional cooperation. Ambassador Mulford mentioned the two countries having reached a landmark civilian nuclear agreement. We are now working through those implementation issues.

Our partnership, I think, is reinforced by the close personal relationship we have now between our President and Prime Minister Singh, and also his very successful visit to Washington in July. I was there, and I got to see first-hand the warmth of that relationship, and not just between the President and Prime Minister, but also the senior officials who accompanied each of them.

At the completion of that visit, the President and Prime Minister together identified bilateral priorities on a range of issues. And one of the key issues was our strengthened cooperation in the area of our economic relationship. The two leaders agreed that India and the United States should support and accelerate economic growth in both countries through greater trade, investment, and technological collaboration.

Visits from a variety of Indian cabinet officials to the United States and by senior U.S. officials here to India, including most recently Secretary Snow, are helping to focus attention on this bilateral relationship as we have not seen before. As many of you in this room can personally attest, contacts among our corporate executives of both countries have also increased, in part through the CEO Forum, but also just through the enhanced business relationship.

And it is paying dividends. Trade between our two countries is growing, as Kamal said. Foreign direct investment has increased in both directions, and total bilateral trade in services and goods will reach about \$30 billion this year, when you include services and goods. That's up from about \$12 billion only ten years ago. So from \$12 billion to \$30 billion over the last decade. India is now one of the United States' great export markets, and India enjoys an overall \$9.5 billion trade surplus with the United States.

While we have made progress in building and strengthening these economic links, there is more to be done. I would draw your attention to one agreement that's been very successful, and that's the recent Open Skies agreement, opening trade in aviation services between our two countries. I would also mention the CEO Forum, and other private sector initiatives as being good examples.

That's all good news. But I believe – compared with the size and potential of both of our economies – that trade and investment flows should be much greater than they are.

The conditions are there. We share so much in common. We are two of the world's foremost democracies, two of the largest market economies. We share a common language – although some of my Indian friends tell me that we Americans don't really speak English. (laughter) We share a common belief in the rule of law. And the two cultures that once seemed far apart are growing closer, partly as more Americans are doing business in India, and living in India, and partly as the community of Indians is growing in the United States. In fact, Americans of Indian descent is not just growing in the United States, there are some very successful entrepreneurs, academicians, and even government officials. One of those is with us today. I'd like to introduce to you formally, if you haven't met him already, the new Deputy U.S. Trade Representative, who is an Ambassador, who has just been confirmed by the United States Senate, I'm delighted that he was able to join me on this trip, and that's Karan Bhatia. (applause) He will have day-to-day responsibility for our relationship with India, among other things, and I hope that some of you will get to know him very well, indeed.

I think we should have a trade relationship with India that supports and reinforces the relationship we have talked about. The amount of our bilateral trade, I think should be

far higher than current levels. Kamal Nath just gave us a very ambitious goal, of doubling our trade in three years. I was going to say four years, but now, thanks to Kamal and our friendship, I will have to shift and be more ambitious – just as we are trying to be in the Doha round – and say that I, too, agreed that over the next three years, we should undertake to double our trade between India and the United States.

I believe it's achievable. Later today, we will officially inaugurate the India-United States Trade Policy Forum. Again, this is a new initiative that was started in connection with Prime Minister Singh's visit to the United States. I will tell you it's one of only three that I am involved with. One is with China, where we have a much larger trading relationship, and where, frankly, we also have a lot of trade issues to work out every year through our forum. The other is with the European Union, which as you know, with the 25 member countries is the largest economic entity now, their economy being even larger than the United States. The fact that India is the third is a testament to the importance with which we attach the economic relationship and the importance to which we attach our overall relationship with India. Kamal talked about it as the "missing link". It is, in many respects, a missing link, when you think about the larger relationship that we have. We need to be sure that we do a better job encouraging trade by resolving our issues.

I think the Forum can be a hub around which we raise and resolve our bilateral trade issues, opportunities and challenges alike. It can be an open channel of communication, to help us head off trade issues, even before they become trade problems, sort of an early warning system. I appreciate the willingness of the Singh Government to host the Forum this year, and I look forward to hosting the session in the future.

As we prepare to take stock of where we stand on specific issues, I would like to applaud Minister Nath again and the Singh Government on the steps that they have already taken to reduce barriers to free trade. We view those efforts as a sign that the two countries can do even more going forward.

Let me conclude by restating what I said at the outset. And that is, that on this first trip to India, I have come to listen, to learn, to help grow a new bilateral trade relationship. But in many respects, I feel like I'm at home here in India.

As the world's oldest and largest democracies, and as countries committed to economic growth, to more open markets, the United States and India have a lot in common. And because our people share a sense of dynamism, optimism, innovation, creativity, I believe India and the United States will become even closer partners and critical players in the competitive global environment of the 21st century. I look forward to this being the first of many visits to India. Thank you all.

###