

Remarks by United States Trade Representative
Ambassador Susan. C. Schwab

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**** AS PREPARED FOR DELIVERY ****

Thank you for that introduction, Bill [Caton, Navistar Exec VP and CFO]. I also want to thank our gracious hosts and organizers of this historic event – the Chicago Council on Global Affairs, the U.S.-India Business Council, and the Federation of Indian Chambers of Commerce and Industry, along with other organizations, including the US Commercial Service.

I also want to join in welcoming my friend, India’s Minister of Commerce and Industry Kamal Nath. Last year, Minister Nath and I came up with this idea for an initiative that would help small and medium-sized businesses tap into the growing trade between our two countries.

To show that we wanted to bring the information to the people who could use it, we decided to hold the conference outside our two capital cities. And where better to hold it than in Chicago – home to Devon Avenue, if not the largest Indian business community in the United States, then at least the most famous!

In addition, Chicago gets it. This town and this state really understand the importance of free trade to our economy, to jobs and to our future.

Mayor Daley was one of first civic leaders in the country to show public support for our recently concluded bilateral trade agreements with Peru, Columbia, Panama and South Korea. He wrote a letter to Congress supporting all four – we got Peru passed and are working hard to get the others through Congress this year.

If you want further proof of Illinois’ commitment to free trade, you just have to look at the numbers. Illinois was the nation’s fifth largest exporting state with the worldwide exports of goods alone reaching almost \$49-Billion last year.

Your agriculture, manufacturing and service industries are all in on game. In fact, right here in Chicago is the largest exporter in the world, not to mention the hundreds of small and medium-sized companies doing business outside of our borders.

Minister Nath and I saw that the smaller companies – with incredible entrepreneurial potential – weren't as involved in trade between our two nations as we would like, despite the vast opportunities. So we asked ourselves what we could do to help.

Working with a few partners, we came up with this conference. I believe you will find that they have developed a wonderful map to help you all navigate the complicated waters of trade. While we have firms of all sizes represented here today, I want to direct my comments primarily to our SMEs. We understand that you face unique challenges:

- First, you face challenges similar to those faced by multinationals, but without the same resources at your disposal. This makes it difficult, if not impossible, to sustain your business while you try to move past tariff and non-tariff barriers to trade.
- Next, problems are magnified for SMEs and their more limited resources compared to multinationals, as you confront regulatory issues, infrastructure issues, and the bureaucratic mandates of our governments and industry.
- Another issue that American small and medium-sized businesses face is that, unlike most multi-nationals, you usually cannot put a person on the ground in India, nor can smaller Indian companies support someone here.

This means you are left to find qualified, honest agents, distributors and partners half way around the globe to represent your interests there. Part of our agenda here is helping you find those partners.

- And finding these agents is an important step in helping you to face the twin issues of cultural and business ethics, and bridging the communication gap. These can be particularly daunting when you don't have the extra time it takes to nurture relationships in the opposite time zone where day here is night there.
- In the financial realm, you face having neither deep pockets nor patient capital. It's hard to compete or partner with your multi-national counterparts when you have smaller margins and shorter time frames to develop your cashflow.
- Finally, you face the issue of finding both the time and the money to gather the right business intelligence that would allow you to penetrate this vast new market. The opportunity is huge and the market lucrative if you can. We hope that today will be the beginning for you to find or to refine and update that information.

This conference is just the beginning in our quest to help you navigate these seemingly treacherous waters. While multinationals can draw on expensive legal resources and expert outside business consultancies, SMEs need outside support.

We understand that, and we are pleased to have resources available to help small and medium-sized business owners engage and compete in the global market place. In this case, the U.S. Commercial Service, with 7 offices and a staff of commercial specialists across India, has representatives here at the conference. Please be sure and track them down - Julie Carducci, Mary Joyce and Debra Rogers. They are a Chicago-based network for your passage to India.

We are very excited about this opportunity to get you plugged into the economic engine of the US-India relationship. We are the two largest democracies in the world, facing common challenges in areas of security and countering terrorism and in creating a better world for all our citizens through economic opportunity.

As the US-India relationship continues to grow, our policy-makers and legislators are working to remove many of the remaining constraints on the bilateral relationship. It is our role to help

them move beyond policy-making within the Washington beltway and the Delhi Ring Road and understand the real world where people grow, manufacture, build, transport, create, invest, buy, sell, eat, use, manage, and trade.

Chicago is that kind of town, embodying the heart of America's economic diversity and strength in manufacturing, high-tech industry, agriculture, and finance – just look at Devon Avenue. This is a town where big companies, and small and medium-sized enterprises, alike, thrive. And they are increasingly thriving in connection with opportunities to do business in and with India.

Minister Nath and I co-chair the US-India Trade Policy Forum, or TPF, the group that is the umbrella for working through our bilateral trade policy. We are addressing concerns on everything from trade in agricultural products to intellectual property rights and from tariff and non-tariff barriers to market access in services and investment.

The TPF meets approximately once a year, though Minister Nath and I meet and talk regularly, especially on the subject of the WTO's Doha Round multilateral trade negotiations.

In connection with the TPF, however, we realized that the most important next step we could take in our bilateral trade relationship was to foster greater connectedness among our big multinational companies and our smaller companies.

Given the important role that smaller enterprises play in both of our economies, we understand the need to eliminate protectionist barriers so that all levels of our respective economies and supply chains can benefit.

In the end, we all must take that leap of faith that markets will produce the best results.

All nations must have confidence in their products, their services, and most of all in their people – the single most important resources we have. Both of our nations have a long history of a strong, entrepreneurial spirit. Our markets have thrived on the innovation and ingenuity that

people who are free to trade have provided for centuries, dating back to the days of the Silk Road.

Today, protectionism raises its ugly head in both of our countries. It is up to us to help those without faith in the future and power of the markets to understand the importance of multilateral agreements like Doha, and bilateral agreements like our FTAs or Bilateral Investment Treaties. We must help them make that leap.

Having this conference here is a great way to highlight the impact of open markets. Illinois and the Chicago area are home to some of the best examples of the how the growing economic ties between the United States and India are taking shape.

Here in Chicago, we have the Boeing Corporation, which has sold billions of dollars worth of aircraft to India's burgeoning commercial airlines.

They are also competing with Lockheed Martin to sell multi-role combat aircraft to India, a deal potentially worth more than \$10-Billion. In fact, Lockheed just completed a \$1-Billion deal to sell military transports to India – the largest U.S. military sale ever to India.

These sales generate jobs here in the United States for a myriad of smaller suppliers. They also generate economic activity and jobs in India, where companies are making sizeable investments in areas such as research and development, manufacturing, and maintenance and repair capabilities.

Another great example is Caterpillar, a company with a balance sheet that demonstrates the critical importance of foreign trade to job creation here in the United States.

One of Caterpillar's biggest markets today is in India, with its rapidly growing industries, huge investments in infrastructure, and one of the largest agriculture producing countries in the world feeding more than a billion people.

Looking at the big picture, the U.S. is India's largest export market and largest trading partner. In 2007, goods trade topped \$41 Billion – with the US exporting \$17.6 Billion in goods to and importing \$24 Billion in goods from India. In 2006, the latest data available for services, we traded a total of just over \$13 Billion worth, evenly split between imports and exports.

Even as trade thrives between our countries, we have to fight the impulse at home to retreat within our borders when economic times are tough.

How do we address this impulse to withdraw inside our borders? Multinational corporations are obvious players in the global trading system. But, small and medium-sized companies represent an underutilized asset in this battle.

In the U.S., for the year 2005, over 232,000 SMEs exported goods directly to other countries. Even more SMEs indirectly exported around the globe as part of the supply chain for products exported by larger companies.

The rapid expansion of India's economy, on its own, and as an engine for greater US-India trade, holds vast opportunities for Indian and US SMEs alike.

Take the example of retail, which is a superb sector with enormous US potential benefits for SMEs. Retail creates opportunities for SMEs in every aspect of the supply chain, whether in food processing and manufacturing, logistics, packaging, design, or construction.

Retail expansion in India will not only create opportunities within India for India's market, but the expertise, efficiency and quality developed for the Indian market will then open up opportunities for those same Indian producers to export to the United States and elsewhere.

Furthermore, US companies, from the retailers to the producers, shippers and other service providers, provide markets for Indian companies. They also provide expertise, services and products that can enhance Indian companies' own productivity and earning potential.

This conference is the place for you to begin forging those important relationships that will help you carve your niche into the U.S.-India trading partnership.

As you move forward with this relationship, Minister Nath and I will continue to work on our end to open even more doors by achieving a breakthrough this year in the Doha Round. This is critical to SMEs both here and in India because lowering trade barriers will lower the cost of doing business and raise your profit margins. We may even give you some time back by reducing your paperwork through trade facilitation.

And for those of you who think this is just boring green eyeshade stuff, keep in mind for every day something sits on a dock waiting for customs clearance, it is probably costing the equivalent of a one percent tariff.

Think about that and what that one percent and a percent more and then more, etc. could mean to your business.

Thank you, again, for coming today. This is just the beginning.

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