

**Talking Points for
American Enterprise Institute
Ambassador David C. Mulford
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- **Some of you know I am an international investment banker turned diplomat. This can be a risky transition. The hard competitive realities of international investment banking don't naturally lend themselves to the language of diplomacy.**
- **One principle of investment banking, however, applies importantly to international relations: the principle of "know your client" or partner. This means master your client's current situation, know his past and above all understand his future. Follow this principle and you will both maximize prospects for success and reduce risk.**
- **President Bush has taken an historic initiative with India which has lead to a ground breaking agreement to normalize civil nuclear relations between our two countries. The agreement is now**

before the Congress to seek the necessary change in law to bring the agreement into force.

- **Analyzing and evaluating the agreement itself obviously is important and currently the first order of business. But making the final judgment to support the agreement is a much broader question and India 101 isn't the course it used to be.**

- **How well do we understand India today, and more to the point how well do we understand India's future, and what this will mean for the long term national interests of the United States?**

- **This involves some advanced course work.**

- **India began its transformation in the early 1990s – following Cold War and near financial calamity.**
 - **Economic Reforms**
 - **Away from non-alignment**

- **Largely unnoticed in U.S.**
 - **Nuclear Tests – 1998**

○ **Indo-Pak Tensions – 2002**

- **India's transformation has been moving forward for nearly 15 years and is now accelerating – and a U.S. India new relationship has emerged in the last 3 years.**
- **We are discovering that the many shared values of past decades are now buttressed by broad common interests and often common objectives.**
- **Our growing partnership touches almost every field of human endeavor and is supported by a vast and active people to people relationship.**
- **Now let's look at some old facts in a new light.**
- **India is no longer a closed economy. It is engaging the world quickly, comprehensively and in both inward and outward directions.**

- **Growing at 7-8% per annum – has grown 5-6% for most of 15 years (3 constraints - Energy, Infrastructure, and agriculture reform**

- **India and Indians are discovering that they can be world class players in a number of key business and knowledge sectors, and in international relations.**

- **Now, consider India's 1.1 billion**
 - **50% under 25**
 - **Draw even with China 15-20 years**
 - **Unique in this competitive world -- young working population for decades to come**
 - **300 million – less than \$1 per day; 600 million on less than \$2**
 - **But a middle class – 300 million and growing 30-40 million per year (at 7-8%).**
 - **Demographics and economic growth will continue to drive India's politics in the medium term.**

- **India's young and families prize education above all – and act on this value. Way forward.**
- **Graduates more engineers in one southern state than U.S. does. These people have shown they can compete in India and worldwide.**
- **650 million live on land, employed in Agriculture and Agriculture related. Small farms, subsistence Agriculture. –Poverty, but politically influential and they vote. Present government**
- **Agriculture sector 22% of GDP – growing 1-2% per year. (economy overall 8%) Major focus for government to raise growth, reform.**
- **India has large developed financial sector.**
 - **Well supervised and regulated**
 - **Needs liberalization to support economic development. There is a substantial foreign presence. System has lower risks than many other countries.**
 - **Savings 29% of GDP -- Rising**

- **18-35 age group**
- **Exchange rates moved +/- 10% over 2 years.**
No credit from Congress or Treasury.
- **Over \$10 billion institutional investment flows last year – Foreign Direct Investment (FDI) rising**
- **Current account liberalization**
- **Visions of regional capital market**

- **Trade**
 - **U.S. Exports up 30%**
 - **International Property Rights (IPR) legislation – TRIPPS (Trade-Related Aspects of Intellectual Property Rights) – WTO – Explain why.**
 - **Trade gap will narrow, disappear – with rising big ticket sales. Diversity of U.S. trade. Service surplus for US.**

- **India firmly follows Rule of Law. English widely and well spoken. Comfortable with modern technology.**

- **And finally, to end the list of old facts to be viewed in a new light -- probably the most important fact is that India is a true and functioning democracy.**
- **Democracy is how India forged a nation from extraordinary diversity. Democracy provides the fundamental basis for India's governance today and explains much of how India approaches to the world.**
- **Democracy is an important bedrock of our relationship. Makes India dependable – as Secretary Rice said – “U.S. can trust India”**
- **As such, the implications of India's democracy for India's continued growth and transformation, the assurance of continuity through the achievement of broad consensus in major fields of policy, are highly positive for the future of our relationship.**
- **It is now clear beyond all doubt that our countries are linked by a deep commitment to freedom and democracy; We recognize, indeed, we celebrate**

national diversity, human creativity and innovation; a quest to expand prosperity and economic opportunity worldwide; and a desire to increase mutual security against the common threats posed by intolerance, terrorism and the spread of weapons of mass destruction.

- **These are matters that must weigh heavily and positively in our assessment of the civil nuclear agreement.**
- **And these important linkages are clearly supported by recent public opinion surveys that show very high approval in India of the U.S. – some 71% positive. Probably higher after the President’s visit.**
- **But note -- approval not necessarily for specific U.S. policies, but rather for America’s ethos – our values, commitment to freedom, meritocracy, hard work, getting ahead, respect for knowledge, for rule of law. President Bush also enjoys strong support, as Indians see him as standing for these values, and believing in India.**

- **Other point – which is significant because of India’s great diversity. 150 million Muslims (Sunni and Shia), non-radicalized, fully engaged in India’s democracy – a highly impressive credential in today’s troubled world.**
- **This I hope gives new insight to the transforming India that is today’s reality and tomorrow’s promise. President Bush has early and wisely identified this new reality and put his personal leadership to work to bring into focus a whole new vision for the U.S.-India relationship in the 21st Century.**
- **In India this is regarded as the most important diplomatic initiative of the past half century. Although our relationship is growing in unprecedented ways, we should not misjudge the vital importance of the normalization of India’s civil nuclear relations with us and with the world – the civil nuclear agreement, as it stands agreed between the U.S. and India, is the cornerstone.**

- **It would be hard to imagine a more “win-win” proposition for our two nations.**
- **When I am asked the rather surprising question – “Yes, but what’s in it for us?” My answer is a broad based, multifaceted relationship with another great democratic power emerging into our knowledge-based world of virtually unlimited possibilities and sobering dangers, whose national interests will often and importantly converge with ours. Whose economy is likely to move into the world’s top five in the next 10-15 years.**
- **This relationship in coming years will matter to us like few others.**
- **Going forward, do we really want India outside the world’s nuclear non-proliferation system, its gifted scientific community and political leadership confined to continued isolation? I think not.**

- **It is time to accept India's reality and move on to the opportunities of the future.**
- **In the time I have left, let me touch on several of these opportunities that illustrate the breadth and diversity of our relationship.**
- **First, in the past year we have taken steps that are opening many new opportunities for both of us.**
- **We have resolved the long-festering Dabhol project and sorted out several troubled independent power projects in Tamil Nadu. These both remove lingering concerns many U.S. companies have had about FDI in India.**
- **We negotiated in a few short months a comprehensive open skies agreement that has jump-started the aviation sector. Since then Boeing has sold almost \$15 billion in new Boeing aircraft to India. Two U.S. airlines have opened direct routes to India. Airport privatization is underway and the air transport market has grown by close to 40% in the past year.**

- **India amended its Patent Act to recognize product patents and bring its IPR regime into conformity with TRIPPS, and we are working to build new IPR programs and to assure enforcement of standards.**
- **The U.S. Trade and Development Agency has signed a new umbrella agreement with India that is now supporting India's emerging natural gas, air transport, infrastructure, and pharmaceutical markets.**
- **The Indian government lifted its cap on foreign direct investment in telecommunications and partially opened the retail sector. Other changes are likely to come.**
- **The renewed commitment on both sides to building the economic relationship has been widely noticed in the U.S. business community. Our engagement has strengthened business confidence. We are welcoming more U.S. business delegations in India than ever before, including many sponsored by individual U.S. states.**

- **As we have moved forward in resolving past difference, we have also constructed a new economic architecture to transform our strategic partnership into the comprehensive relationship I mentioned previously. This new architecture includes a U.S.-India Energy Dialogue, an Information Communications Technology (ICT) Working Group, a Trade Policy Forum (TPF), a Standards Dialogue, and a restructured U.S.-India Economic Dialogue/High Technology Working Group (HTCG).**
- **Another key driver of action, has been a very innovative CEO Forum which has brought to the table 20 top Indian and U.S. CEOs representing over a trillion dollars of capital in a manner that has clearly enunciated for the President and Prime Minister the policy and reform actions necessary to dramatically increase our bilateral trade and investment flows.**
- **In the agricultural sector, the President and Prime Minister launched the Knowledge Initiative on Agriculture with a three-year financial commitment to**

- link our universities, technical institutions, and businesses to support agriculture innovation.**
- **This will revive and transform our long history of cooperation in agriculture for the 21st century. It will help create the environment conducive to agricultural growth, development of efficient markets, and trade and investment. It will re-invigorate university linkages, work to get technology more quickly into the hands of farmers, prepare agricultural students for the challenges of the future, and create new rural employment opportunities, particularly in the food processing and distribution sectors. U.S. private sector companies are on the knowledge initiative's newly formed board and see opportunities in India's priority commitment to agricultural reform.**
 - **In the areas of Innovation and the Knowledge Economy, our two countries have embraced the key role of technology in propelling growth by establishing a Bi-National Science and Technology Commission that we will co-fund to assure fast track diffusion of commercial technologies. Important focus areas will be civil space,**

including placing U.S. satellites on Indian launch vehicles, space exploration, satellite navigation, and earth sciences.

- **Our new Information and Communications Technology working group has established an institutional channel to resolve market access and regulatory issues, including a large reduction of surcharges on incoming international long distance telephony.**
- **The U.S. and India have embraced protection of the free flow of commerce and the safety of navigation, working to prevent the proliferation of weapons of mass destruction and by concluding a Maritime Cooperation Framework. Indian has committed to join the Container Security Initiative and has designated a representative to the Government Advisory Board of the International Centre for Democratic Transition. We are working jointly in the areas of disaster relief (tsunami and earthquake), cyber security, combating HIV/AIDS and avian flu, to name a few.**

- **Under the High Technology Cooperation Group, India has put in place new export control legislation and we completed the Next Steps in the Strategic Partnership to streamline our high technology and defense linkages. Less than one percent of U.S. exports to India now require an export license. As India fully harmonizes its export control lists, the U.S. has pledged to further streamline export controls. The Department of Commerce has now shifted the HTCG focus from strategic trade to trade facilitation.**
- **Under the New Framework for the U.S.-India Defense Relationship we signed on June 28, 2005, we have built a compelling case for defense co-production and industrial participation projects in India and have established a new defense procurement and production group under the cabinet-level defense policy group. Thanks to this more activist approach the U.S. is now a contender for an eight billion dollar combat aircraft tender and many other military platforms.**
- **Thank you for your patience while I've run through this list of opportunities that illustrate the kind of**

engagement we have today with India. Real on the ground progress takes this kind of focus.

- **We are not talking here about paper declarations. Come to India and see for yourself. Talk to U.S. business leaders about their vision and plans for India, and look around at the role Americans of Indian descent play in our country today.**
- **This brings us back to the decision we face regarding the U.S.-India Civil Nuclear Agreement. The negotiations leading to the agreement were long and complex, but at all times both civil and constructive. The final result represents a fine balance of our respective national interests and political realities.**
- **India has already put in place new anti-proliferation legislation and is working with the International Atomic Energy Agency (IAEA) and the Nuclear Suppliers Group (NSG).**
- **The public debate in the U.S. will move further forward this week and well into May. There will be close**

scrutiny, and appropriately so, of the terms and implications for the U.S. and the world of this important agreement. Legitimate concerns and questions will be addressed by the Administration. I believe we are well advanced in this effort – ably led by Secretary Rice.

- **In the end, as I said earlier, we will need to make a fundamental judgment based on this agreement and the long term interests of the United States.**
- **I believe this agreement will strongly serve U.S. national and global interests, strengthen the world's non-proliferation regime, help to address India's real and growing energy needs, and recognize the new reality of India, which I have described to you today.**