



JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY
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INDIA AND THE UNITED STATES: A PARTNERSHIP FOR PROSPERITY

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India and the United States: A Partnership for Prosperity

It is a great honor and privilege to speak at the Baker Institute today on India-U.S relations, three weeks before the visit of Prime Minister Manmohan Singh to Washington, D.C., on what is the first official state visit hosted by President Obama.

At the outset, I convey our deep condolences to the families of the victims of an incident of wanton violence at a military camp at Fort Hood in Texas yesterday. Our thoughts and prayers are with all those who lost their lives and with the injured, whom we wish a speedy recovery.

I have looked forward to visiting the Lone Star State because of its leadership in the United States in so many areas of enterprise and business, its excellent centers of learning and health care, its beauty and warm hospitality, and for its thriving Indian-American community. I am pleased that we have established a consulate in Houston.

Secretary James Baker was in office at an epochal moment in history. The world emerged from the shadow of the Cold War into a zone of uncertainty, but also of hope and optimism.

This was also a time of change in India. Faced with a financial crisis, India embarked in July 1991 on a path of economic reforms that has radically altered the trajectory of India's economic growth and injected into society a new sense of energy and dynamism. For long a country that tended to look inward economically, India's economic reforms began the process of India's global integration, increasing India's stakes in the international order. This, together with the profound changes in the geopolitical landscape, provided new openings for refashioning our relationship with the United States, which has today become a key partner for India.

For much of independent India's history, the hopes and potential of a relationship between the world's two largest democracies were constrained by the imperatives of the Cold War — not so much by the Cold War itself as by its manifestation in South Asia. The end of the Cold War and economic liberalization in India generated hopes that our two countries would set upon a natural course of closer relations and more productive partnerships.

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Here, in this institute, where there is so much emphasis on the link between ideas and action, I have to recall that the persistence of doubts and hesitation in our relationship through the 1990s was a reflection of the habits and ideas of the past colliding with new opportunities and potential. Through the terms of President Clinton and President Bush, our governments invested extraordinary political capital in transforming our relationship, which culminated in the historic civil nuclear agreement in October 2008 — an agreement that has been as much a symbol as an instrument of the transformation in our relationship.

Beyond the civil nuclear agreement, our ties have become genuinely broad-based. The extraordinary breadth of our engagement has taken us into hitherto uncharted territories, including defense, intelligence and counterterrorism cooperation. I can't think of a field of human endeavor where we are not breaking new ground and redefining the paradigm of our engagement. Today, the India-U.S. relationship has evolved into a truly comprehensive partnership of mutual trust and confidence, intensifying political dialogue that is increasingly global in reach and deepening strategic understanding.

Our relationship has stood the test of public goodwill and political support in both countries — and, the support is bipartisan in nature, enabling us to maintain a steady course through election cycles in our two countries. Shared democratic values and converging security interests, especially in the context of Asia and the new unconventional threats that are growing, have led us to seek a closer relationship.

However, the real wind in our sail has been the tremendous growth in our economic partnership and the ties between our peoples. Just in the last five years, our trade doubled and U.S. exports to India grew three times. In the much scrutinized services trade, we have a balanced and growing trade in both directions. Today, the U.S. is not only one of our leading trade partners, it is also the leading source of foreign investment, including portfolio investment. U.S. companies have enhanced their innovative drive and competitiveness through their operations in India, which have proved to be highly profitable.

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A new phenomenon in recent years has been the surge in Indian investments into the United States. In fact, on the basis of annual flows, these now exceed U.S. foreign direct investment into India. In 2007–08 alone, an estimated US\$10.25 billion was invested by Indian companies in the U.S., which, according to industry estimates, helped to create an additional 65,000 jobs here. This trend is expected to continue as Indian companies increasingly seek to position themselves in the global economy. While the pace of growth in trade and investment has been gratifying, the overall levels are still modest and there is huge potential for continuing rapid expansion as the Indian economy achieves sustained high growth.

Economic reforms in India, the growing urbanization and people- and knowledge-intensive nature of our commercial ties, the contribution of the 2.7 million strong Indian-American community that has more than doubled in the last decade, and the presence of 95,000 students of Indian origin in U.S. universities have brought our people into an expanding relationship of shared prosperity and mutual benefit. In cities such as Houston and San Francisco or Bangalore and Hyderabad, in laboratories, universities and corporate offices, our people, nurtured in diversity and democracy, are discovering comfort in their partnership and opportunities for the future. Wherever I go in the United States, I meet people bursting with ideas, excitement and impatience to open the doors to a new era of economic partnership between India and the United States.

As we enter a new phase in our relationship at a moment of great global economic uncertainty, our economic partnership will be a new source of strength in our relationship.

The United States remains the pre-eminent economic power, a great center of learning and the global hub of science, innovation and enterprise. It has repeatedly shown a resilience to weather economic difficulties. And, if investment is a barometer of confidence, Indian investments in the United States stand testimony to that.

India is a developing economy, but one on a high growth path. We have weathered the global economic crisis reasonably well with a growth rate of 6.7 percent last year, lower than the 9 percent a year that we were getting accustomed to. This year, too, growth is expected to be

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around 6.5 percent. But, more important, we are witnessing a strong return of investor confidence and business momentum. With a domestic savings rate of 35 percent, we are optimistic that with prudent policies, continuing reforms and sound investments, we can return to a sustained growth path of 8–10 percent.

A nation of one billion people, experiencing a growth rate of 8–10 percent, driven principally by the domestic market and savings, will be an anchor of global economic stability and a great economic opportunity, whether it is consumer goods, public infrastructure or urban services. Our investments in the infrastructure sector alone will have to be US\$500 billion over the next five years.

We would need to increase our energy supply by three to four times, and our power capacity five times, over the next two decades to sustain our economic growth and bring 400 million more people into a network of commercial energy. To meet the challenges of economic growth, energy security and climate change, we need to intensify our search for new domestic energy resources, diversify the energy basket, make energy from coal cleaner, seek new and affordable ways to harness renewable energy, and change the way we consume and use energy.

Already one the world's largest producers in wind energy, which we will expand further, we have set ourselves a goal of installing 20,000 Megawatts (MW) of solar energy capacity by 2020 and expanding our nuclear energy from around 4000 Megawatts of electricity (MWe) now to over 60000 MWe by 2031–32. The historic India-U.S. civil nuclear initiative has opened new possibilities for reaching that goal.

Our emphasis on climate change, reflected in our ambitious National Action Plan on Climate Change comprising eight missions, draws from our civilizational tradition that treats nature as a sustaining force, from our contemporary needs and from our desire to be good global citizens. We look forward to fostering cooperation with the United States in a way that not only helps our two countries achieve their goals, but creates a productive partnership between our economies and also transforms our industries into global leaders in green technology.

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The real strength and opportunity of our partnership lies in the extraordinary pool of human resources. India will soon be the world's largest population, with an average age of 29 years in 2020. This places enormous responsibility on us, but also creates a resource base that could power prosperity in both countries.

Science and technology, education and research, enterprise and innovation are the common thread that will link our joint endeavors of the future. That is why I believe that critical to our future relationship will be a new emphasis on science and technology collaborations and partnerships in higher education.

We intend to qualitatively reform and expand our higher education sector. And, we intend to create conditions that enable us to tap the best in the world to participate in the expansion of higher education infrastructure. Last week, our minister for human resource development visited the United States and found extremely strong resonance among the top universities here. We hope to establish an India-U.S. Education Council to guide our cooperation in higher education and research, which, I believe, will be of great mutual benefit to both countries in advancing knowledge and preparing their youth to meet the challenges of the 21st century. We will also have great opportunities in advancing food security and improving delivery of health care and research.

Our economic future will depend on global peace, stability and security. And, nowhere is that question of greater importance than in Asia, where the center of gravity of global opportunities and challenges of the 21st century lie. We all face multiple challenges — traditional, unconventional and new — to our collective security. Some of these threats, like proliferation and extremist violence, emanate from India's neighborhood, but have global reach. India and the United States have a shared interest in promoting stability and moderation in this region and in countering the challenge posed by terrorism and extremism. We both have vital stakes in keeping open and safe the sea-lanes of communication, which are the arteries through which trade and commerce flow.

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We are two nations blessed with talent, enterprise and innovation, with a strong emphasis on science and education. We share a sense of comfort derived from our commitment to democracy, pluralism, rule of law and individual liberty, and, above all, a new warmth and purpose in our political ties. I do not see our partnership for prosperity merely in terms of opportunities for multiplying trade and investment, but also for finding solutions to the pressing global challenges of our times, for creating technological leadership for our two countries, for shaping the nature of economy and business in the 21st century, and for bringing prosperity not just to our people, but also to the wider world.

We are at an exciting moment of hope and opportunity, as Prime Minister Singh and President Obama prepare to build on the progress we have made to take the relationship to a new level.

The heart of their effort will be to create a framework that unleashes the energy and the enterprise of our people — to build a relationship that will make our nations safer and more prosperous but also help to address the global challenges that we face.

Thank you.