

**Special Address by US Trade Representative Michael Froman on 'Further Together We Go: US-India Trade and Investment Relationship'**  
**Federation of Indian Chambers of Commerce and Industry (FICCI)**  
**New Delhi, India**  
**November 24, 2014**

Thank you for that kind introduction. And thank you for hosting me and my colleagues here in New Delhi. I've been coming here for the past 15 years, as a tourist, as a business person and as a government official, but this is my first trip to India as the United States Trade Representative. It's a special honor to be here to co-chair the U.S.-India Trade Policy Forum with Minister Nirmala Sitharaman.

This is the first Trade Policy Forum to be held in more than four years, so it's another historic moment in what has been an important year for relations between the United States and India. It was just about a year ago that we worked side-by-side, all day and all night, for several nights in a row, to reach a package of agreements in Bali, including the Trade Facilitation Agreement, the first multilateral agreement in the World Trade Organization's history. And two weeks ago, India and the United States worked together once again to address outstanding concerns arising from the Bali package which, with the support of the other WTO members, will now allow the Trade Facilitation Agreement to be fully implemented.

In fact, I just got a message from my Deputy in Geneva who indicated that India and the United States are working side-by-side as we speak, literally today in Geneva to build support among the other WTO members for the package of agreements that we agreed to. Again, I want to thank Minister Sitharaman and her team for their partnership in that effort.

It was just two months ago that Prime Minister Modi had an enormously successful trip to the United States, including a blockbuster event at Madison Square Garden, a broad range of interactions with President Obama and Congress and a wide-ranging and productive set of discussions with the business community about the future of U.S.-India relations.

And in just two months, President Obama will have the honor of returning to India – the first time a sitting U.S. President has visited India twice – and the first time that a U.S. President will be the Chief Guest at the Republic Day celebrations. The President was deeply honored to receive this invitation and is very much looking forward to his return.

And just this past week we had the High Technology Cooperation Group, The Science and Technology Dialogue the Strategic Security Dialogue, the Higher Education Dialogue and the first Tech Summit with the United States as a partner country. It's been quite a week in U.S.-India relations.

This pace of engagement is impressive, but shouldn't be surprising for what President Obama declared the "defining partnership of the 21<sup>st</sup> century." Our task is to build on our mutual interests, with mutual respect, and deliver on the promise of that partnership.

Let me start with the WTO. Some have suggested that the India-U.S. breakthroughs – in Bali and again two weeks ago – may well have saved the multilateral trading system. And that might be a bit of an exaggeration, but at a time of substantial economic uncertainty, our work together was certainly a welcomed boost to global confidence.

The Trade Facilitation Agreement, or TFA, is a big deal. According to certain estimates, it will reduce the cost of trade by 10 percent for developed countries and more than 14 percent for developing countries, potentially adding hundreds of billions of dollars to the global economy.

And this is particularly important for small and medium-sized businesses that don't have all of the resources large companies have to navigate the complexities of getting a product from a farm or factory to global markets.

The TFA will provide increased transparency and access to customs documents, regulations and procedures. It will give small businesses access to expedited shipping channels, helping them export their goods in a more cost-efficient and timely manner. And it will further reduce costs for small business exporters by reducing documentation requirements, expediting the release of perishable goods, and facilitating the use of electronic payments.

Through the TFA, small businesses that were once limited to local markets will have more opportunities to grow and thrive as part of global supply chains. The reduction of paperwork might seem like a small issue, but for a business with a small staff and even smaller margins, that could be the difference between being an exporter or not. And for those of you representing larger businesses, just think about how these small cost savings add up to significant gains with larger volumes and more frequent shipments over time. And very importantly, think about the additional workers you could hire when your costs go down and your production goes up in response to increased demand.

What does this mean for India? Small businesses are the second-largest source of employment in India, just after agriculture, and those small businesses account now for 40 percent of India's exports. Yet, according to the World Bank, the average cost of exporting from India is \$1,332 per transaction, nearly double that of Indonesia, Slovenia, and Oman. India will be a major beneficiary of this win-win agreement.

Let me say a word about food stockpiling. Food security has been a major focus of U.S. development efforts since the start of the Obama Administration, and we are keenly focused on addressing developing countries' legitimate food security needs. As part of the deal to allow the Trade Facilitation Agreement to be fully implemented, we agreed to intensify efforts to find a permanent solution to the food stockpiling issue and eliminate any ambiguity in the Bali package about the availability of the so-called "Peace Clause" in the meantime, provided that food stockpiling programs meet the conditions set in Bali. And together, we agreed that both of these elements – trade facilitation and food stockpiling -- should be approved simultaneously in the WTO General Council, and which we are hopeful that will happen in the next few days.

The breakthrough at the WTO would not have been possible without the personal engagement of President Obama and Prime Minister Modi. They gave our partnership a mantra: “Chalein Saath Saath: Forward Together We Go.” That’s what we’re doing at the WTO. And that’s what we’re doing in our bilateral trade and investment relationship as well.

As you well know, two-way trade has increased to nearly \$100 billion, up five-fold since 2001. And that increase has supported hundreds of thousands of jobs across our two economies, but there’s still an incredible amount of opportunity that’s waiting to be unlocked.

India is one of the fastest growing sources of investment in the United States, with Indian firms having invested billions in the U.S., supporting tens of thousands of jobs. And, having heard Prime Minister Modi speak eloquently of his “Make in India,” “Digital India,” and “Smart Cities” initiatives, increasing investment in India will be critical as well.

It’s very much in the United States’ interests that India succeeds. As Dwight Eisenhower, the first U.S. President to visit India, observed: “The welfare of America is bound up with the welfare of India.” The question is what can we do through our engagement on the trade and investment relationship to support these objectives.

Take manufacturing. We fully understand and respect India’s desire to develop a stronger manufacturing sector. Indeed, we’re very much focused on doing the same at home. The question is how. Our sense is that it is better to incentivize it, than to mandate it.

If the government of India focuses on improving the business environment, addressing the issues reflected in India’s ‘ease of doing business rating’ foreign manufacturing will come and invest, create jobs and bring technology and integrate India into globally competitive supply chains. By contrast, as a number of studies have demonstrated, rigid local content requirements are likely to spawn less competitive industries, increase costs to producers and consumers and lower India’s economic welfare.

To achieve its full potential, India’s manufacturing future lies in creating the conditions in which world class investment will want to come to India, not in building uncompetitive industries behind a wall of protectionism. As the Government of India pursues its “Make in India” initiative, we stand ready to be supportive, including by engaging on how to successfully achieve its objectives without distorting its trade relations with the United States or other major trading partners. This is one of the issues we’ll be discussing in the Manufacturing Dialogue and the Trade Policy Forum this week.

Another area that’s central to our shared future is innovation. Back in 2010, my former colleague, Larry Summers, came to India and observed that one of the most important global developments was the emergence of the knowledge economy. He noted that, as the India-U.S. trade and investment relationship evolved, the exchange of ideas would be at least as important as the exchange of goods. And this trend is well underway.

India has made great advances in medicine, has patented technologies, and boasts a tremendously successful entertainment industry. Indians are focused on securing education and training for their children, laying the groundwork for the next generation of innovation. Indeed, innovation and entrepreneurship course through the veins of Indians and Indian-Americans: Nearly one-third of all Silicon Valley start-ups have an Indian-American co-founder.

It is, therefore, in India's interests to have and to enforce a world-class intellectual property rights regime. Patents, copyright, trade secrets. Piracy, counterfeiting, compulsory licensing. These are challenging issues, but dealing with them directly is critical if India is to play a leadership role in the knowledge economy, including on its way to becoming "Digital India." And in that regard, we have great interest in the ongoing review of India's Intellectual Property Rights Policy.

In September, Prime Minister Modi and President Obama agreed to establish a High Level Working Group on intellectual property rights, providing us with a platform to address issues of interest to both countries. Copyright enforcement is a top priority of the entertainment industries in Hollywood and in Bollywood. Incentivizing life-saving innovations and promoting affordable access to quality healthcare and safe medicine will benefit all Indians and Americans. Indeed, India is home to some of the most innovative ideas for delivering cost-effective healthcare. And through the Trade Policy Forum, we look forward to building on our common interests and strengthening the innovation ecosystem as part of our overall trade and investment relationship.

There is much that we can do together to help address India's most pressing demands: improving agricultural productivity, expanding manufacturing, strengthening the services sector, promoting innovation and creativity, improving health and education, enhancing security and addressing India's growing energy needs.

Ultimately, the most important factor determining the future evolution of our bilateral economic relationship is the quality of the business environment based on transparency, consistency, predictability. Creating regulatory and legal certainty. Maintaining policy stability and forging an innovation environment. Achieving tax simplification and predictability. Raising investment caps and lowering tariffs. Consulting with stakeholders through notice and comment. Streamlining layers of approval and eliminating bureaucratic obstacles -- what Prime Minister Modi has called "red tape-ism."

Prime Minister Modi appears to be genuinely interested in tackling this and has a personal track record of doing so in Gujarat. He's got a talented and experienced team. And when he came to the United States, there were high expectations and a lot of excitement -- not just among Indian Americans at Madison Square Garden, but in the American business community more generally.

We have already seen some positive signs: Projects approved, foreign equity caps in key sectors such as defense and railways lifted. But we have also seen certain tariffs increased, and there is a long way to go on reform. So we are optimistic but we are cautiously optimistic. There remains great potential for further liberalization, structural reform and the facilitation of business. And we look forward to addressing that agenda in the Trade Policy Forum as well.

When President Obama was here four years ago, he spoke of our shared interests and our shared values, as the oldest and largest democracies in the world. He noted that those interests were best advanced in partnership and termed the United States and India “indispensable partners.”

The future of our partnership remains, as it has always been, ours to define. Now, the responsibility falls on each of us, whether in government, business or the non-profit sector, to build on the recent momentum. We must set our sights on the big, yet achievable accomplishments within our reach. Forward together, we must go further.

As President Obama made clear back in 2010, “We believe in the promise of India.” Let’s deliver on that promise.

Thank you.