

Question and Answer Session
With Ambassador Rob Portman, United States Trade Representative
And Minister Kamal Nath

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

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Moderator: Ladies and gentlemen, Ambassador Portman and Minister Nath have agreed to take some questions before we close the meeting. Mr. Ray Vicory, former assistant secretary of United States, Department of Commerce, who is now with U.S. India Business Council and therefore representing it.

Q: I am indeed Mr. Minister and Mr. Ambassador, the U.S. India Business Council represents 140 of the largest investors from the United States and India and we have just completed an executive mission along with Secretary Snow, twenty members that have had a very good week and I congratulate you both on inaugurating the trade policy forum. I want to pick up on something that Minister Nath has said in terms of imports from the United States, which will drive manufacturing investment, and also why levels are so low. I would raise with you, and I don't know how this issue will ought to be handled, but the problem of policies which are agreed to at the national level at the center and then are frustrated at a state level by unelected officials. I will give you a concrete example: one of our members Dell agro sciences has, since 1997, had authority to sell a product throughout India and it is being sold every where in India except in one state in Punjab. Unfortunately for 3 years the ability to sell this particular product has been withdrawn. There have been letters from the Ministry of Agriculture, from the Ministry of Chemicals, there is even then a state court ruling saying that it should be instituted. The Ambassador himself has met with the Chief Minister and I would submit to you it is that kind of working level problem which is holding down, in terms of both investment and trade. I don't know what the answer is and I wouldn't raise it if I felt that it was isolated kind of a situation but there are others and I will be very interested Mr. Minister in any response you might have and direction as to how you might go in such a situation?

Minister Nath: Thank you for bringing it to my notice. There is a background to evolving trade talk in India where trade was considered, foreign trade was considered merely an activity of the central government and state governments were never on board, they never really comprehended the importance of this trade in terms of the employment, the industry etc. This transition is now taking place where states are getting on board but still there are many areas as you mentioned one of them which need to be ironed out undoubtedly and because of that, we have now set up interstate trade council so that there is commonality and the states are on board of the foreign trade policy, they are comprehending issues, some contentious issues, because we are finding this in some other cases where one state reacts differently another state and just as in your case. So we are going to resolve many of these issues through this inter state trade council which is going to look at these issues and I was going to suggest to Rob that today in the

afternoon we also make a point for the future that we exchange, we didn't discuss it, we did exchange issues which relate to specific issues, I don't, and I think it will be useful which Indian industry may have in the U.S. and the U.S. may have in India. Just as an exchange of paper so that we can, then government can look at it more incisively at my level and his level and he can sort of alert and flag it for his amongst the various department in the U.S. and the various departments. That's how even U.S. industry will feel much more involved in the trade policy forum, in fact I was going to suggest it to Rob when we met this afternoon at the inauguration. So thank you for bringing it to my notice and I am absolutely on board with you on this. And I will take this up with the government of Punjab.

Ambassador Portman: Thank you very much Mr. Minister and if we can do anything with U.S.-India Business Council in that regard, we will be happy to do so. Thank you

Moderator: Thank you very much. There was a direct answer to that with inter-state council and we will certainly keep this process going.

Q: My name is Kamal Gupta. I would like to address that issue what he said there has to be a greater interaction between SMEs of the two countries. I would like to address two points, which are for the respective governments to address. One is when you want to involve SMEs you need to be get greater access to the professionals-- you know getting into U.S., getting out of the U.S. and the same thing from India, so I have two suggestions in this point right now the Department of Immigration and INS, you know if you want to get a green card you have to invest a one million dollars you have to do so many things so if you bring threshold down you will see a lot of movement of professionals of SME level coming into U.S. setting up businesses and then reciprocal business. Same way if RBI allows, like free transfer of capital if they lift the capital flow controls from India.

Moderator: You mean the Reserve Bank of India.

Kamal Gupta: Yes, the Reserve Bank of India so that 20 billion--40 billion you said it can jump to 100 billions in five years it's a possibility it's a big possibility.

Moderator: Thank you very much. The suggestion of greater movement of natural persons along with Indian response from the Reserve Bank of India for greater movement of capital in order to stimulate SMEs... Honorable Minister.

Minister Nath: Where the reserve bank issue is concerned about the limits of capital, the government is callibring (sic) this from time to time, is looking at it from time to time and obviously this is built in with other such foreign investment policies, in fact conversely I must tell you that have raised this, one of the points which is raised to me by some parts of industry is that, why is Indian business investing abroad? They should be investing in India. Why do you allow them to go and invest in abroad? They ask me this question if they are going and putting up so much money why shouldn't they invest that in India and create jobs? So all these have to be married. In fact there have been some

huge Indian investments but I see your point you are talking about smaller investments in the U.S., which stimulate trade. Really, the context which I said is in terms of SMEs was of trade because what I was saying was that SMEs in the United States have been looking at South America, Central America, they really don't look at India so much, though India is a huge market. While India is now coming into the radar in the United States, there is that small medium sector where it is not so much in the radar and we need to do that. Rob will answer your question on immigration, but I really think that today, for enhancing trade, immigration is not a stimulant to enhancing trade. What we really need is what the business community sometimes tells me is about the business visas and three months visas or what ever they are called, some extended three months visas rather than what I am talking about-- the non immigration visas, the non immigration aspect of it which can enhance trade to a large extent.

Ambassador Portman: Oh yes, I mentioned earlier Mode 4 for those who don't follow the WTO trade language; you are lucky if you don't by the way. Mode 4 refers to the movement of people, in particular intra company transfers and other business visas. There are non-immigrant visas like the H1B in the United States. Kamal's right, they are immigration. Unfortunately they are viewed that way by many in the United States because in the past, taking India out of the equation altogether, in the past there has been lax enforcement and many over stays and it has resulted in, as you know, a large immigration problem in the United States that we are now grappling with, so it is an issue that's very difficult to deal with unless we can increase our own enforcement, which we are starting to do and unless we can begin to focus more on its impact on business. I think you will find there is more sympathy for exactly what you are talking about, which is helping the SMEs but also helping with regard to contracts on both sides, by permitting temporary non-immigrant visas to be issued. It's recently come up in a number of contexts, our business community is now more interested in it, and the administration is looking at ways to deal with it. I am talking to members of Congress about it, including the judiciary committees, where there is jurisdiction, and I hopeful that we can make progress. I will say that when you look at the United States as compared to other countries around the world, we do have a relatively open system. We do allow for a relatively large number of non-immigrant visas, as compared to countries that are in the developed world, as a proportion to our population or GNP or other criteria. We actually are fairly generous already, but to the extent there is a need for more of this intra business activity in order to generate the kind of trade we all think is necessary, I do believe we need to figure out a way to balance the issues. One of the balances in addition to the general concern about immigration of course is security and since 9/11 that has been the other factor here-- is to be sure again that we have a system where there is adequate enforcement and I think that's something again, that because we have made progress on the enforcement side that we should be able to see progress on in terms of these visas opening up more. But thank you for your comment. I think it's an interesting angle that it will also help with regard to SMEs.

Q: My name is Mr Bajpai from the American Chamber of Commerce. The Executive Director of the American Chamber of Commerce. I am grateful that Mr Kamal Nath mentioned about the SMEs involvement in India, he mentioned about their involvement

in Latin America and Europe. Mr. Minister, the SMEs of the United States are hyperactive in South East Asia and Far East Asia at this moment. There are almost a 1000 SMEs operating in this region but not in India. AMCHAM has taken on the task of interacting with these SMEs, in the month of January we will be hosting an Indo-US economic summit and therefore the support of our office is with the summit. We are taking a delegation to these countries in sometime in March next year. Interacting with the SMEs of these countries, exposing to them what India offers, in terms of what opportunities India offers in terms of investment and trade and hopefully in the next year or so we should be able to encourage more. We would be approaching your Minister Ministry to look at some of the policies which impact and I will be grateful if you could give attention to them sir. Thank you.

Minister Nath: Certainly I will because that's what something I have been highlighting and I will be happy to partner with you in any way.

Moderator: You will be interested to know Ambassador Portman that the Germans brought a hundred-member "Mittelstein" delegation to FICCI last year. And it was very very successful because again that first step is very important and I think we will join the American Chamber of Commerce in promoting this very important event.

Q: Honorable Mr. Ambassador, our Minister made a very breezy and lofty statement that if you want to know India you should taste the dust of India. I would humbly add...

Ambassador Portman: I was going to respond to that by saying I can't wait to taste the food of India.

Q: You just took the words out of my mouth. I was about to say that I humbly wish to add please also taste the lovely food and culture of India to know humanity. Now sir, so we are from the trading community, from the business community I represent the silk and textile merchandise association. We do not understand these complicated big things but we understand simple things because we invest money and we are interested in seeing that the money is well invested and it gives returns. In simple things I want to know, recently what happened with China? When the U.S., England and France and other countries, despite as we understand, as we perceive it, despite certain WTO understandings of Non Quota systems, if they could produce a product which was much cheaper than anywhere in the world and if there is a sense and feeling that they should be level playing and if the Chinese want to come and play in America and if you would like to go and play in China, then why are they barred from doing this and whether this will not happen to us Indians if sometimes we also like to play in your countries? Thank you.

Ambassador Portman: That's a very good question and I will answer it relatively briefly so we can get on to taste India in terms of its food. When China acceded to the WTO there were certain undertakings and one was that there would be a specific safe guard for textiles after the textile quotas ended to the beginning of this year and frankly, that was how the agreement was passed in the U.S. Congress, so as you know it was a very close vote and one of the reasons it was passed we explicitly told members of

Congress that the U.S. textile industry would have some level of transition after the quotas were up. Incidentally the quota arrangement was over a ten year period and China came in, I think, at about the 6th year of that quota, so in a sense it was fair because China had not fit into WTO until that last 4 years, I believe it was. But in any case it was a right that the United States and other countries were able to obtain as part of our willingness to support the WTO accession to China and in the United States in particular that had to go through the legislature so was a particularly important point. So I feel very strongly that we ought to be transitioning in terms of agriculture, textiles, and other issues but I also feel strongly that when there is WTO obligation that is made by us to our textile industry that we must respect that so what happened. In the first few months of this year Chinese textiles increased dramatically, in some cases as you over 1500 percent, crowding out not just U.S. textile producers but of course textiles from other countries including India. So what we did is we invoked the safeguards that were permitted under the WTO accession. These are individual safeguards for different categories of textiles and it is rather cumbersome process because we said in our own law that had to be done every year, had to be reviewed with certain criteria, you had to demonstrate that there was a surge, meaning that there was damage to the US industry and that there was a high increase or the threat of damage. The trade lawyers were making a lot of money on it because these were cases that were brought in and had to be adjudicated. So we went to China as did the EU and said why don't we come in with a comprehensive agreement that regularizes this trade more. And so with regard to about 46 per cent of the Chinese textile exports to the United States, not all of them, but about 46 per cent of them, which is about 34 categories, I believe, we reached an agreement last week, saying that they would continue to have access to our market, increases every year, and those increases would be between 8 percent, and it goes up to 17 per cent, which is a healthy increase. And every year there'd be an increase; under the safeguards it would have been 7.5 percent. So I think it is fair agreement in the sense that it gives some certainty and predictability to the Chinese exporters and their producers and also gives certainty, frankly, to our manufacturers and of course the retailers in the United States-- those who import these textiles were pleased to have the certainty that comes with it. After the conclusion of this agreement which is only 3 years because the textile safeguards were lasting 4 years we are almost through the first year so three years, 2006, 2007, 2008, then we are back to where we are with regard to India and other countries, where there will no longer be quotas in place. So I know it is complicated and I know from someone in the business communities, it is like: what's going on here? What is it? But actually I think this agreement is beneficial to the stability of the market; it helps with regard to countries like India that can now plan a bit better and it helps to have frankly a more managed transition. Those levels do increase every year in the United States and the EU also in recent agreement with India*, which is similar to ours although for the years 2006 and 2007.

Moderator: Thank you very much.

Minister Nath: I must assure you that there is no such provision we have. China had a special provision because they acceded to the WTO later and their accession--like many countries, which acceded, they had certain special conditions attached to them. India did

not and we have no such conditions, so your fear that this can be imposed on us, you need not have that fear at all.

Moderator: Thank you very much.

*The agreements that USTR Portman was referencing are with China, not India.

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