

# **Center for Strategic and International Studies (CSIS)**

## **U.S.-India Relations: A View from Capitol Hill**

### **Keynote Luncheon**

**Welcome:  
John Hamre,  
President and CEO,  
CSIS**

**Moderator:  
Karl F. Inderfurth,  
Wadhvani Chair in U.S.-India Policy Studies,  
CSIS**

**Speakers:  
The Honorable Mark Warner (D-VA),  
United States Senate**

**The Honorable John Cornyn (R-TX),  
United States Senate**

**Romesh Wadhvani,  
CSIS Trustee and Founder of CSIS  
Wadhvani Chair in U.S.-India Policy Studies**

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JOHN HAMRE: Let me ask you to find a seat. OK, folks – and the reason I needed to get you all seated is because the most precious time up here on Capitol Hill is a senator's time. And fortunately Senator Cornyn has arrived, and we know that there are short windows available and so I wanted to be able to get us all started.

My name is John Hamre. I'm the president of CSIS. And this is a very important event for us to – and really a partnership with the Senate India Caucus. And I want to say a special thank you to Senator Cornyn and to Senator Warner, who have agreed to work with us on this endeavor.

You know, it was about six months ago that President Obama went to India, had a very good visit, very successful visit, and laid out a very ambitious agenda between our two countries. And we thought it was a very good time for us to use this six-month window to say, let's reflect on it; where are we? And that's going to be part of our conversation today. And I look forward to hearing our panelists that are going to be with us.

At this stage, what I would like to do is to turn the podium over to Senator Cornyn. You know, this is – it's exceptional when members of Congress are willing to take on duties of this scale and importance.

And, Senator, I want to thank you and congratulate you for it because, clearly, you know, this growing relationship – we went through a very long period of kind of mutual amnesia, you know, where we kind of forgot about each other, and it set everything back, in my view.

And we're finally recovering from that and we've got so much that we can work on together. It's probably the most strategic development of this century, and we need to have the kind of political leadership that you're demonstrating, Senator.

Let me turn to you and ask you to kick this off. Thank you, sir. (Applause.)

SENATOR JOHN CORNYN (R-TX): Well, thank you, John. It's good to be with all of you today. And I appreciate CSIS taking up this important relationship. I agree with everything you said about it.

I'm also delighted to see my former chairman, John Warner, here. It's great to see you, John. And then I want to express my appreciation to Mark Warner, my colleague from Virginia – current colleague from Virginia – for joining me as the chairs of the India – U.S. India Caucus in the Senate.

And I traveled to India early last decade after I got to the Senate, at the invitation of one of my constituents, who happened to be very active in one of the largest U.S. Indian chambers of commerce, located in Dallas, Texas. And I've had the chance to visit a couple of times since then.

But suffice it to say that Texas, like so many states in the country, is the home to a very large and dynamic Indian-American community, and they contribute a lot to the character, to the productivity of our state, as well as the United States.

Now, there's a lot about the relationship between our two nations that I could talk about today but I know time is short and I know Senator Warner – Mark Warner, who is going to cover a significant amount of his remarks – part of his remarks talking about our trade and investment relationships, but I could talk about energy cooperation and, of course, educational exchange as well.

I think President Obama did, John, get his foreign policy priorities right when his first state dinner at the White House was in 2009 in honor of Prime Minister Singh. And he visited India a little bit later himself.

But my concern today, for the purpose of my remarks, is not about the relationship between India and the United States, which remains very strong, but that our foreign policy perspective in the region be not looked through a soda straw, that we pull back a little bit more and expand our field of vision to include the regional and global realities that we face.

We know India is modernizing its military forces, and the United States is active in helping India to do so, but it's important to realize why that's important to us and to them. Why did our nation sign a 10-year defense agreement in 2005? Why is it that India conducts more joint military exercises with the United States than any other nation?

Why did India see fit to buy six C-130 military transport aircraft in 2008, which was at the time the largest sale to date? Why did India just this week decide to purchase 10 C-17 Globemaster aircraft? And why do a lot of Americans think what I think, that the United States should not only allow India to purchase the F-35 Joint Strike Fighter, but that we should also encourage India to do so?

Well, the answer to all these questions is pretty straightforward. It's that the United States and India see the same regional and global security challenges. And I would like to mention two of those security challenges briefly.

Of course, the first security challenge is terrorism. In America we associate 2001 with the 9/11 attacks in New York and here in Washington. But in India, they remember 2001 as the year of the terrorist attacks on the Indian parliament. More recently, we know of course in Mumbai, in 2008, terrorists killed or wounded hundreds of people, including six American citizens. So our two nations have suffered from violent extremists in similar ways.

Of course, the death of Osama bin Laden was a huge victory in the war on terror. And I just had the opportunity to congratulate Director Panetta, who is now being nominated for secretary of defense, for not only his contribution but to the entire presidential team – national security team. But I also believe that, as President Obama has said, that with this event, as important as it has been, it's no time to spike the football.

Al-Qaida is not the only terrorist group that represents a threat. Others include Jemaah Islamiya, Tehrik-i-Taliban Pakistan, and of course Lashkar-e-Taiba that was directly involved in the Mumbai attacks in 2008, in which we are reading more about, given the trial taking place, even as I speak, in Chicago, involving the testimony of David Headley, among others.

But LeT was responsible for these attacks and received substantial support from Pakistan's security agencies in carrying them out. And some are recognizing the fact – I had a chance to talk with Ambassador Roemer recently – that LeT's aspirations are not just regional but indeed larger than that, and even global in scale.

Admiral Willard, who leads the U.S. Pacific Command, testified before the Senate Armed Services Committee in April that LeT is one of the largest and best-funded militant groups in the region, and that India remains LeT's main target. But as I said a moment ago, that its aspirations are larger than that, being ideologically driven as they are by their Islamic extremism.

LeT has also declared holy war on America and is responsible for attacking some of our forces in Afghanistan. Admiral Willard also said that we have evidence of LeT's presence in Europe, in Canada, and even right here in the United States.

LeT terrorists should be captured and brought to justice, and that's what India and the United States are doing. I mentioned the fact that that trial is taking place in Chicago, as I speak. The U.S. granted India access to David Headley, who is a very important part of that link in the Mumbai attacks, but of course Mr. Headley is a U.S. citizen of Pakistani descent who pled guilty in federal court to his participation in those attacks.

And just this week, U.S. federal prosecutors, as I mentioned, in Chicago are concluding the trial of one of Headley's co-conspirators, who is charged with providing material support to LeT, to planning the Mumbai attack and helping Headley secure targets in Mumbai.

Pakistan has moved much more slowly in prosecuting the LeT terrorists that they have in custody. They have brought charges but they have in fact not prosecuted any of them. The U.S. and India must continue to press Pakistan to prosecute these terrorists who were implicated in the Mumbai attacks, and who were involved in killing six American citizens in addition to all of the other casualties of that attack.

One other country I'd like to focus on in my brief time remaining is China. We know that terrorist groups like LeT are the primary non-state challenge that India and the United States have to deal with, but the state actor that we need to keep our eye on is China.

And we know that our concerns are not alone, those of the United States. Lots of China's neighbors are concerned about its military buildup and its territorial aspirations – the fact that it's invested a lot of money in energy reserves around the world, and of course wants to protect those not only sea lands but also those investments as well.

We know that last year China claimed that the South China Sea is a core interest, which of course unsettled Vietnam, the Philippines, Indonesia and a lot of other nations in the area. China has renewed a long-running dispute with India over the borders of the Arunachal Pradesh region.

And last week Google publicly reported that a Chinese entity had been targeting the personal email accounts of U.S. and South Korean government employees. And Pakistan's defense minister recently revealed that they'd like China to build a naval base at Gwadar, Pakistan, which is already the home for a new strategically important port at the mouth of the Gulf of Oman.

Now, each of these actions represents a deliberate provocation, and together they represent a pattern that we need to keep our eye on, as well as other countries need to take seriously as well.

But let me just leave you with this final thought: Both the terrorism challenge and the China challenge have something in common, and that's Pakistan. Secretary Clinton visited Pakistan in May and said that our relations were at a turning point, and I agree with that. Pakistan is being exploited by others, both inside and outside its territory, and the time is now for Pakistan to start making much better choices.

Finally, the administration should not take its eye off of India or South Asia, or take that relationship for granted. I hope the president will continue along the lines that he had started early on in his administration. There's a lot to celebrate. We know about our growing bilateral cooperation, but I believe it's important for the United States to continue to make our relationship with India a priority.

And I will – let me just close, John, on a bit of good news. The U.S. India Caucus in the Senate that I co-founded with now Secretary Clinton, then Senator Clinton, and that Mark Warner is now the co-chairman of, we now are up to 38 members. Senator Mark Kirk, one of our most recent additions to the Senate, has joined.

And of course, as the ambassador knows, this is unique in the United States Senate to have a U.S. caucus in the Senate with another country, as opposed to broader categorization of that caucus's interest.

So, thank you very much for letting me come by and share a few words with you, and thank you for convening this important meeting on one of our most important strategic partnerships in the world. Thank you. (Applause.)

MR. HAMRE: Thank you so much, Senator Cornyn. It's a real honor that you would be with us today, and we're very pleased.

Please go ahead and eat. I mean, you're all very polite. You don't have to worry about me; you can eat while I'm talking. That's perfectly fine.

I would like to say a special thanks to some people who have joined us today who have made it – you know, lifted up the caliber of this.

First of all, Ambassador Shankar, thank you for coming. We're delighted to have you here. You're doing such a fabulous job in Washington, and we're really grateful that you've lifted up our session today. And thank you so much for that.

Assistant Secretary Robert Blake, you – I realize – you're sitting right next to Rick, your predecessor at some point in time, and so I realize that you guys are co-conspirators. But it's really great that you would be with us today. Thank you so much for being here.

As I said, there are a few other people I would like to especially thank – Carla Hills and Sudhakar Shenoy. They are members of our advisory committee. They're helping to guide the new Wadhvani Chair of Indian Studies at CSIS, and we're very, very pleased that both of them are willing to give their intellectual energy to give us some direction. Thank you. Thank you very much.

And welcome to Senator John Warner. He said, don't recognize me. And I said, well, what the heck; we have to do that. John Warner, who has been a stalwart here in the Senate, and it's great to see him back. I think maybe the period of isolation is over and you're allowed to come back to Capitol Hill, which is something that we welcome.

Now, I would like to, if I may, just take a moment and – Romesh, I hope we've coordinated this with you. I'd like you to just say a few words.

I would like to introduce to you Romesh Wadhvani. Dr. Wadhvani is the benefactor that's made possible this new India program at CSIS. He is on the East Coast. Normally he is busy doing quite big deals on the West Coast but he decided he had to come here, and we talked him into joining us today.

Romesh, let me ask you just to say a few words – your vision for what you think we need to be doing in Washington on the U.S.-India relationship. Thank you.

ROMESH WADHWANI: Thank you, John.

MR. HAMRE: Thank you. (Applause.)

MR. WADHWANI: Well, I've been in the U.S. for a little over 40 years. I got my Ph.D. at Carnegie Mellon University in Pittsburgh. And I built three successful companies, two in

Pittsburgh, one in Silicon Valley. And today I run a large group of companies, about 14 companies, doing around \$3 billion a year.

So the U.S. has been the country which has given me the opportunity and the privilege to have achieved. And once you have that kind of privilege, you also have an obligation to give back. So, I established the Wadhvani Foundation about seven years ago, basically to support – define and support large-scale initiatives that would drive economic development in India and in other emerging economies, and strengthen the bonds between India and the U.S. in that process.

We have a number of large-scale initiatives going in entrepreneurship and helping – providing jobs for the disabled and skills development and innovation, but this chair in U.S.-India policy is the first policy initiative of the Wadhvani Foundation.

And to make sure that this is a balanced perspective on strengthening the relationship between the U.S. and India, we have also funded a counterpart chair at Ikrir (ph), a major economic policy think tank in Delhi and India. And the idea is for these two chairs – the U.S. chair being Rick and CSIS, the India chair being represented by their counterparts.

I thought this would be an interesting opportunity to just share with you a framework for thinking about policy as it relates to the U.S. and India.

You're obviously very familiar with all the statistics – you know, the size and scale of India, the complexity of India, the comparisons between India and China. And I'm not going to take you through all that because you already know that. There are a couple of interesting points, though.

India is a republic, just as the U.S. is. And I might even say India is a republic perhaps because the U.S. is, because when the Indian constitution was being written in 1847, the framers of the constitution looked at the U.S. Constitution. Unfortunately they took an extra 4,800 pages to write it. (Laughter.) They should have just followed the brevity of the U.S. Constitution, but it is what it is.

India is a chaotic and sometimes dysfunctional democracy. I think you see that in the newspapers. You see that in the behavior. And I'm pleased to see that the U.S. is now trying to do its best to emulate India – (laughter) – in terms of a certain amount of chaos and dysfunction in our great democracy here.

The relationship between the two countries is perhaps the single most important relationship each can have geopolitically. I think it's very important for the U.S. because, to Senator Cornyn's remarks, it is a good way of preventing China from having complete hegemony in not just Asia but in many other parts of the world as well. I think it's great in terms of trade because, to the extent that India continues to be a vibrant economy, the opportunity for exports from the U.S. to India is large.

And in terms of talent, I'm just an example, but there are thousands of examples like me of very talented people who have come from India to the U.S. and have made very important

contributions to the U.S., including, for example, paying large amounts in taxes to the IRS. I just had a very large payment to the IRS a couple of weeks ago, so it's very fresh in my mind right now. (Laughter.)

On the flip side, the relationship is very important to India because it's a way of compensating against the risk of encirclement by India and China, but from a geopolitical standpoint. It's a great opportunity for India to export to the U.S. from a trade standpoint. And it's a great opportunity for India to gain knowledge from the U.S. in a number of areas where India is quite far behind.

So, early on, when Rick joined this particular program, he went around and talked to many of you to gain inputs in terms of how to define the policy agenda against which policies could be considered and evaluated in strengthening the relationship between the U.S. and India. And he sent me a list. There were 31 topics on it. Everyone obviously weighed in with their particular pet policy areas.

And as I was thinking about it, I thought it might be good to put all of these different ideas into some kind of framework, a simplified framework, by which we could think about it and then begin to address it, and then use that as a foundation for greatly strengthening the bonds between the two countries. So I've broken it up into three major areas. The first of these is economic development. The second is knowledge and skills development. And the third is defense and regional security.

If I take economic development, there are a number of key areas that I think we need to address, and the first of these is foreign direct investment. In India and China, and other countries that are emerging at that kind of speed, economic development and regional security cannot be divorced from each other. The quality of economic development within the country completely influences its perspective on the rest of the world, and completely affects its regional security, whether homeland or outside the country itself, and that's why I put economic development at the top.

And if I take the three major elements that could be translated into policy, the first would be around foreign direct investment. And on that topic, about seven years ago India received foreign direct investment of about \$5 billion a year. The prime minister of India at that point, and today, Manmohan Singh, asked a few of us nonresident Indians in the U.S. to pull together a team to help increase foreign direct investment in India. I co-led a team. Sudhakar was on that team.

We were successful in increasing FDI in India from 5 billion (dollars) to 20 billion (dollars). That was two years ago. Because of a whole bunch of governance problems in India and changing competition around the world, that has fallen to \$14 billion. So it's actually declined by 30 percent. At a time when China's has increased by 30 percent, India's FDI has declined by 30 percent.

China is at 100 billion (dollars.) India is at 14 billion (dollars). There is a massive imbalance there, and I'm hopeful that in consideration of policy, this will be one of the key



elements that is addressed on both sides, because this is not just a U.S. problem, it's a bigger problem in terms of Indian policies and tariffs and restrictions in terms of the ability of U.S. companies to invest there. And by breaking down those barriers, which we hopefully can make progress in, this will help the economic development agenda.

A second big dimension of the economic development agenda is around trade. The trade between the two countries has grown dramatically but is a tiny fraction of what the trade is between India – between the U.S. and China. There are a number of things that can be done to reduce tariffs on both sides. There is a vision of a free trade agreement that, by the way, the Indian government is as much against as the U.S. government is.

So there are, you know, equal objections on both sides, I guess, but I think those objections can be overcome, should be overcome, and that will dramatically, you know, cause a step change in the amount of trade between the two countries.

The third element on the economic development side of the framework is infrastructure. India has, to put it bluntly, crappy infrastructure. It is years and years behind China. It is going to be an absolute impediment to India's future.

And at the same time, it's an enormous opportunity for American companies like GE and others to make high-quality technology available for completely transforming infrastructure in India, but it has to be done in a localized way, because the needs of villages in India are not exactly the same as the needs of New York City and we have to localize the technology that's available in the U.S.

But it seems to me those are the three big policy angles within the economic development part of the framework. If I take knowledge and skills development, I've picked that as a key part of the policy framework for a very specific reason. A couple of important statistics that you should know:

Of the number of kids who enter school in India, only 12 percent end up completing high school and going to college. So there's 88 percent of India's school-going population that is left with the opportunity of either carrying bricks in baskets on their heads at construction sites or becoming rickshaw pullers or rickshaw drivers, or other very, very low-skill occupations. This is not exactly the way in which you build a truly world-class country, you know, of the future. And this whole area is badly served.

I think a second important statistic is that of the kids who entered the 10<sup>th</sup> grade in high school, 15 million every year drop out, do not go to college, they do not complete 10<sup>th</sup>, they do not complete 11<sup>th</sup>, they do not complete 12<sup>th</sup>, and these become part of the unemployed.

The reason these numbers are extremely important is many of you have read this phrase, "demographic dividend" applied to India. And there is a claim being made that as India's population grows, the youngest part of the population is growing faster, whereas in China it's going the other way because of the one-child policy, and therefore somehow this is a huge advantage for India.

And I've made the point to the prime minister and to Montek Ahluwalia in India that this is completely false thinking. Correct thinking would be, this could be a demographic dividend; it could also be a demographic disaster, because if you increase the population in this age group and 15 million of them dropping out of high school and college becomes 20 million and then 25 million and then 30 million people drop out, this is not a recipe for a great economy; it's a recipe for a disaster.

Now, there are ways to correct this through skills development, and that's why I wanted to focus this whole area of knowledge and skills development as a very important part of a joint policy framework. It's not one that's talked about enough, and I wanted to simply raise it. So, within this whole area of knowledge and skills development, there are a number of areas of, you know, sort of policy potential.

Entrepreneurship. India is a land in which entrepreneurs succeed in spite of the government. China is a country in which entrepreneurs succeed because of the patronage of the government. This provides an incredibly powerful foundation, but entrepreneurs in India need more help in terms of tax policies, in terms of access to growth capital, and anything we can do on the policy agenda side to help that will dramatically accelerate entrepreneurship, and that in turn will drive all the other positive elements.

Innovation. I think this is an area in which the cooperation between the U.S. and India can be far greater than it has been. There's an opportunity for U.S. universities to be setting up research operations in India. There's an opportunity for Indian pharmaceutical companies and IT services companies to be setting up innovation centers in the U.S.

There's mutual exchange of innovation, where ideas about emerging economies can come from India, ideas about proven technologies can come from the U.S. This whole exchange in innovation is very poor today and there's enormous scope for improvement.

And then the third idea is skills development through vocational training. And just as, I believe, that the U.S. needs to do a lot more in terms of skills development as the world economy has changed and as our structural unemployment rate is sitting at 9 percent instead of 3 percent, India has a far bigger problem. But both countries have a problem, and I think there's a shared benefit to be gained in terms of developing the right kinds of vocational training programs that serve today's economy on both sides of the ocean.

The third element of the framework is around defense and regional security. Senator, you mentioned the recent award of the C-17 contract. It's a great \$4 billion win for the U.S. I would point out, though, that there was a \$10 billion loss to France, which was, you know, the fighter jet program.

So, I think making India a partner in the F-35 program would be very helpful. But I would suggest that there is an even stronger way for the U.S. defense companies to win more business in India, which is by taking the offset program – as you know, when a foreign country

buys military equipment from the U.S., typically they'll ask for 25 or 30 percent of that to be spent locally in offsets.

Now, much of the time that offset money is used as a boondoggle, is used on – you know, I mean, the military contractor in the U.S. doesn't really care. It's simply part of the price of doing business in the foreign country.

I think India should be treated differently in that context, and I think if U.S. military contractors were encouraged to use the offset funds to fund research and development locally in India, to fund innovation in India, to fund job creation through skills development in India, the positive impact of that commitment on the Indian government would overcome price differences, geopolitical issues and so on that might otherwise cause the Indian government to pick the Rafale fighter from France or the F-15 or, you know, some other fighter from the U.S.

So this is not purely altruistic; it's about helping U.S. military contractors think a little more comprehensively and holistically about how to conduct their businesses in India. That's the defense side.

In terms of homeland security, you correctly pointed out the issues with the LeT in Pakistan. Fundamentally in India, homeland security and regional security are all tied up in there simple words: Kashmir, Pakistan, China.

There is an approach to Kashmir which is based on economic development and skills development as compared to purely security forces that I think has promise, and it's worth debating at some future forum.

There's an approach with Pakistan which can lessen the historical enmity between our two countries, India and Pakistan, which is worth debating, again, at some future forum, again, based on the core of economic development and knowledge and skills development rather than military forces and, you know, nuclear capability on both sides of the border.

And then there's this whole notion of establishing geopolitical and economic almost equivalence with China, which I think will help shape the right kind of strategy for the U.S.

So I'm sorry to have spent a long time giving you all these thoughts, but basically I would propose that we establish a policy framework for discussion. At least these are three big buckets that I've proposed. There might be a lot of other ways and better ways to do this. And within each of these, to take a few key elements and then to dive deep and try and make it all come true.

Thank you very much for coming today. It's a great event. (Applause.)

MR. HAMRE: I just was talking with Senator Warner's staff. He's in the middle of what they call his "gang of six" negotiations, so he had – thank you, Senator Cornyn. You're great to come. Thank you. Delighted to have you here. And we're not – (applause.). Thank you. We're a little unsure, because they've now kicked out the staff, which usually means

something important is happening, OK? So we're not exactly sure when we will see Senator Warner.

What I think we're going to do is we'll just finish up our meal for a few minutes, and then I'm going to turn to Rick Inderfurth – unless you want to get started now, Rick. What do you –

KARL "RICK" INDERFURTH: (Off mic.)

MR. HAMRE: Let's just finish up the meal. Well, this table hasn't even started, so let's finish up the meal, and then we will begin in a few minutes.

And I would especially like to say thank you to the speakers who have agreed to be with us today. And let me just recognize them myself. I know that more is going to be said about that. I'd like to say thanks to Bruce Riedel, who is joining us. Thank you very much, Bruce. I'd like to say thank you to Ray Vickery and to Richard Fontaine. We're delighted that both of you could be here, and we look forward to hearing you.

Enjoy the rest of the meal and then we will reconvene as soon as we see Senator Warner.

(Break.)

MR. HAMRE: Ladies and gentlemen, I used to work up here – I worked here for 10 years – and that's the one thing I do understand is the vagaries of Senate calendars. And Senator Warner has been tied up in some important leadership negotiations, but he still wanted to break free and come over here to join us.

Senator Warner, thank you. We're delighted to have you here. Let me turn the podium to you.

SENATOR MARK WARNER (D-VA): Thank you, John. Thank you all. (Applause.) My apologies for being late. I will only say that I believe most everyone in this room, whether U.S. or Indian, would probably appreciate the fact that I was a little late since we were very deep into a bipartisan session around what I think is the fundamental issue of our time – dealing with our debt and deficit, which will have an enormous challenge not only for this country but for the whole world's economy if we don't get it right.

Just as one little factoid before I get into this – I apologize; I'm trying to get my head out of the one – but if you need any other sense of urgency on this issue, as we are now less than 60 days before a potential default of the United States government, and we now have all three of the rating agencies in effect putting the United States on credit watch.

And the price of, for example, the chances – the bond markets have said the chances of America's default in the next year, and its price, is actually higher than the chances of Mexico's default, the Philippines' default, Panama's default. And should we have some circumstance like that, any single 1-point interest rate spike adds \$1.3 trillion to our debt. So a 6 (percent) or 7

(percent) or 8 percent interest rate spike, which we've seen in other countries, if we were to have these circumstances, could add \$10 trillion to our debt. And think about the effects that would have on our economy, the world's economy, what have you.

So, with that as a quick apology on the front end for why I was a bit tardy, let me also – and I'm sure he has been acknowledged. I came over and wanted to pay immediate respects, and he said, I'm in your chair, I'm in your chair. And I said, well, you've always been in my chair. I just try to follow behind you. But I am – there are days I'm happy to have this job. There are days I long for the days when I was in Richmond as governor.

But in some small way, I'm trying to follow in the footsteps of somebody who, to my mind, represented what was the best of what it meant to be a United States senator, the best of what it meant to be somebody who would check his partisan hat at the door when it was in the interest of the country or the world, the best at making sure that America maintained its critical role in terms of national security, and that's my dear friend and predecessor, Senator John Warner. Senator Warner, thank you for – (applause).

I want to again thank CSIS – John and Rick and Romesh – I know you have done a great deal on underwriting this – for this effort today. And I know – this is two days in a row where I've had lunch with the ambassador, and Sudhakar, I should say.

We had Saxby Chambliss, who is one of Republican colleagues. We were working on the debt and deficit. We were with the ambassador yesterday, with Sudhakar yesterday at the Economics Club in Washington. And I know – it was wonderful to see you again, Ambassador, and thank you for all you're doing.

And I believe we also have Secretary Bob Blake is here, going to make a presentation in a little while. And I think they will provide perhaps a next-level-down insight into this enormously important, growing U.S.-India relationship.

I know I missed my friend and co-chair of the India Caucus, John Cornyn. He was one of the original co-founders of this caucus, with Hillary Clinton and my friend Chris Dodd, who then succeeded Senator Clinton. And I'm proud to kind of follow in Chris's footsteps.

And I was meeting with the ambassador, meeting with so many in the community, we really want to try to – what's the politically correct term – juice up or reinvigorate the caucus to the kind of status it had in the past. And I think that is important on so many levels.

We all know that, you know, India is the largest democracy in the world; America the oldest. You know, I think I've never been to a U.S.-India event that doesn't make that point and reiterate these strong ties. And I'm going to skip that whole part of the presentation, but I'm happy to give to the press the three pages citing all the wonderful long-term benefits of a collaboration between these two great countries.

I want to spend my time and kind of more reflect back on the last eight or 10 years of this relationship, and then hopefully, with a little more specificity, look forward about what we can

do. I mean, as we think – you know, the challenges that the U.S. and India had for a number of years, and then the transformation that started to take place in the '90s and really significantly accelerated under President Bush when we moved in much closer collaboration with the Indian government, and the very important significance, and his leadership on the strategic partnership and the nuclear deal.

And then that has even, I think, been further accelerated with President Obama. I think it is significant that the president chose, as the first state dinner, the visit of Prime Minister Singh. And clearly the president's recent visit to India, where we've – there was focus not on only kind of cultural collaboration and strategic collaboration, but clearly in terms of expanded economic ties, that \$15 billion in potential deals and the close to 14,000 jobs that were created here and sustained here in the United States.

And this relationship – and I'm not the diplomat – the diplomatic world – I have a hard time, frankly – as a business guy I had a hard time moving to Richmond as governor, and I thought that world moved slow. (Laughter.) Then I got to Capitol Hill and things even started to move slower. And then from what little I know – and I compliment all of you who serve in the diplomatic world – that makes Capitol Hill even look like it moves fast. (Laughter.)

And so, I think while this relationship, in kind of diplomatic time, has rushed forward, we now are going to enter into a time where we need to continue to make progression, but we frankly need to consolidate and actualize a lot of the agreements that have been made at the top level, to kind of work them through the various bureaucracies to kind of make sure that they are – they're fully realized.

And, you know, that is where I hope the India Caucus can play a role. We've seen an upsurge in interest in the India Caucus. We've now got close to 40 senators. And both Senator Cornyn and I are committed to making that a majority of the Senate in short order. It is something that I don't think that will be too much of a challenge. But I think – and our goal, as well – at least my part of the goal is we've moved from, I think, talk about democracies to friends to where we really need to move now, to true partners.

And that partnership means, you know, not just the ribbon cuttings and the president and the prime minister in top-level agreements; it really means, as I mentioned earlier, driving this into specific agreements, working through the regulatory fronts in both the United States and India. And lord knows, as I've kind of got deeper into this issue, there are a whole host of regulatory challenges in both countries that may not even take legislative change but the Senate U.S. India Caucus can help on the regulatory front, urging along.

Clearly this is something that I hear, and we in Virginia – I know this is a national role and I'm very proud of that, but we in Virginia are blessed with a very, very vibrant, growing and successful Indian-American community, and that is not just Sudhakar Shenoy. You know, but it is an area that this – building this into a full partnership is where I think the caucus can take place.

Let's talk about the specific areas. One, strong commercial interests. We'll get to defense in a few moments, but I really think there is a window right now to really actualize the commercial ties. My good friend, Ambassador Tim Roemer, pointed out the last time he was back from India that, you know, just in the next 10 to 15 years there will be more than a dozen cities in India that will pass 10 million people in population.

Now, an enormous migration is more than 400 million people move into the middle class. This is a real opportunity for India, but it's also a real opportunity for American business. I absolutely support the president's goal of trying to double exports over these five years. Ninety-five percent of the new customers for American business are not going to be domestic; they're going to be foreign.

And I think there is a real opportunity here for foreign direct investment – U.S. direct investment – in India. And that is an area that should be a focus. Now, there are limits on that right now. There are limits in India and there – my understanding from recent conversations is that there's opportunities even, without getting through the Indian parliament, abilities for the government there to lift caps in certain areas.

And I hope that we can work with our colleagues in India on multi-brand retail, an area that obviously there's a great deal of expertise and opportunity from America; insurance, an area of tremendous growth; and the financial sector, the banking sectors. I think this is an area where there can be benefits to India, benefits in terms of American export opportunities, and one that is a doable opportunity in the very short term.

So, FDI, important – and, frankly, FDI the other way from India, back in the United States. I often cite the example of when I was governor and one of our communities in Southside Virginia that was, candidly, not very pro-trade favorable. This was a community – Danville, Virginia – Senator, you'll recall – where we had lost a lot of textile furniture and tobacco jobs.

But when I made my first trip to India as governor and we were able to bring back a major polymer company from India that has now expanded four times and is one of the larger employers in Danville, it's funny how people's views on trade transformed with those benefits going both ways.

I still think there's an awful lot we can learn from Indian companies in terms of the ability for insourcing back-office technology jobs. If they can do it in Bangalore, they ought to be able to do it in Southside Virginia and Southwest Virginia, and there's a real opportunity for that kind of collaboration.

And there still remains, I think, enormously critical issues from both the investment side that we've got to sort through, a certain designation on Indian companies vis-à-vis our defense area, and try to remove some of those restrictions. And I personally – well, this is – I believe that – while I'm a big – I'm a supporter of comprehensive immigration reform. We ought to be able to move forward on some of the lower-hanging fruit such as entrepreneurial visas – enormous, enormous opportunity here.

If we perhaps lowered that threshold from a million dollars a bit lower, you know, particularly at this point when our country needs that job-creation activity. So, you know, this FDI going both ways, and a subset of that being immigration, is something that we could actually have some results, measurable results, over the next year.

Second and third would be in the area of defense. We have seen India's role and challenges in this world where we not only face challenging nation states but also the potential threat of terrorism. India, as we all know, has suffered its own 9/11 in Mumbai. And there is enormous opportunity, I think, for collaboration on the strategic front in terms of our defense communities over the coming year, both in terms of joint exercises, in terms of closer collaboration.

And we need to set out, I think, a definable set of goals for this collaboration, again where the caucus can be an active urger of Secretary Gates and hopefully Secretary Panetta, in expanding this level of collaboration.

The third area, again, is in terms of defense sales. Now, I know there were some of us who were a little concerned on the aircraft decision. And if you decide, Madam Ambassador, you want to have a change of heart – (laughter) – you know, I'd be happy to – we'd be – and I'm sure Senator Warner would agree with this – we can get you down to Hampton Roads pretty quick and put you in a, you know, F-15, F-16 and, you know, show you some of the quality of our jets.

But if that is not, you now, changed over, you know, we did see some good news on the C-17s, recently announcement, and I do believe – and there are a number of other items in the queue. And what we need to do is make sure that those items in the queue actually get to contract status.

And, again, I think there is a role that we can work as an advocate on that. And I frankly think the military sales issue is intertwined with the cooperation issue. If we have a closer strategic cooperation, a comfort level of the Indian defense forces with American equipment will dramatically advance. And that is, again, to both countries' benefits.

So, you know, we have had this relationship that has raced ahead in the last decade-plus. I think it is – this relationship, for a whole host of reasons – strategic, economic, the combined cultural ties – is perhaps the area where the greatest gains in the 21<sup>st</sup> century in terms of any major relationship for America has taken place.

I think we're going to enter – and while we need to keep racing forward, I think we're going to enter into a period of some consolidation at this point. We may not see the same kind of dramatic announcements, but our job should be making sure that consolidation is realized on foreign direct investment in both directions, on continuing to open ties, immigration-wise, on strategic partnership, on the defense area, and making sure that those promise of some of that military purchasing procurement takes place.



And I simply want to say that as – this honor as the new co-chair of the U.S. India Caucus, this is something that I sought out, something that I went to the Democratic leadership, John, asked to see if I could get. I'm not on the Foreign Relations Committee, but my visits to India and my wife and children's visit to India, this is a phenomenal country with a phenomenal culture, and I think long term will be the cornerstone of one of the great partnerships, friendships and alliances for both our countries for decades to come.

So let's make sure we realize these items, and my thanks to all of you. And in the meantime, pray for a bipartisan solution to our debt and deficit crisis. Thank you all very much. (Applause.)

MR. HAMRE: Senator, thank you. We're really honored that you would come for this – for the India Caucus, but we really do want you to succeed on the bipartisan negotiations. (Chuckles.) I will tell you, I do stay awake at night worrying about that.

Rick Inderfurth, let me bring you up. Rick is the Wadhwani Chair at CSIS. We're so pleased to have him lead this up for us. And he's going to lead the rest of the program.

Rick, thank you very much. (Applause.)

MR. INDERFURTH: Ladies and gentlemen, it's a great pleasure to see you all here. I think that the very full attendance we have is a reflection of the importance of this relationship, the U.S.-India relationship. Romesh Wadhwani, Senator Warner, Senator Cornyn –

SEN. WARNER: My apologies.

MR. INDERFURTH: Yes, it was great to see you. Thank you very much. Get on that deficit.

SEN. WARNER: Just remember, \$14.3 trillion of debt. Every day that we don't act we add \$4 billion to the debt. Now I'll go back to work. (Laughter.)

MR. INDERFURTH: A man on a mission. (Applause.) Our mission.

I really – I'm just, quite frankly, overwhelmed. A number of us – Mark Brunner with Senator Warner, Dave Hanke with Senator Cornyn – all of us have been working together to try to pull this together, and it is extraordinarily gratifying, and I think it's a reflection of this important relationship, and what we're all trying to do to further it.

So, what I am going to be now is the moderator. And we have two excellent discussions in front of us. I'm going to ask you now to finish up your meal. We'll take about five minutes to allow you to do that. Coffee is in the rear of the room. And then Ambassador Shankar and Assistant Secretary Blake will join me up here for further remarks. We're locking the door, by the way, so you can't leave. (Laughter.) So you might as well have additional coffee.

And may I also say that it is an enormous honor and pleasure to see Senator John Warner here – (applause) – a man that I have admired and known for many years, and it's just a great pleasure to see him back in the Senate – great, great patriot.

So, about five minutes and we will begin. And so, just make yourself comfortable, and we look forward to further discussions.

(END)