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New Opportunities  
For India-U.S.  
Relations

*By Shri Pranab Mukherjee*



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# New Opportunities for India-U.S. Relations

By Shri Pranab Mukherjee

Ladies and Gentlemen, I am aware of the importance of The Heritage Foundation in shaping ideas and attitudes in this great country. At a time when our own dialogue with the United States has begun to broaden and deepen, I knew that if I could take the message of the great changes that are occurring in India to the Foundation I could be sure of it reaching those in this country who are interested in knowing about India. My message is about the modernization and reforms that are sweeping throughout our country and the groundwork that is being laid for building strong relations with the outside world, especially with the United States of America.

## Shared Values: Democracy

The people of India and the U.S. are alike in the most fundamental of ways. We are democracies, ruled by the will of the people. The United States is one of the oldest democracies in the world and India the largest. In India, we are particularly proud that our system successfully allows us to mediate the sometimes conflicting interests of our 870 million people. We have repeatedly demonstrated the resilience of our democratic process. We have experienced peaceful and orderly transition of governments and have maintained effective unity in diversity. We face the future with the confidence that our democratic system will be equal to all the challenges it may have to face. If we in India have adjusted better than have many other countries to radical transformation, one of the reasons is that our democratic institutions ensured that the market system and free enterprise flourished even when a strong public sector ruled the commanding heights of our economy.

## Economic Reforms

India's reforms have been aimed at invigorating our economy by liberalization and industrialization, which have had the effect of enhancing competition. The role of the public sector in our economy has been reduced by design, and more stringent accountability has been instituted. Though I am also the Planning Minister, let me confide that the balance between central planning and market-driven investment in our economy is shifting markedly towards the latter. Barriers to foreign participation in India's economy have disappeared in a large number of cases. We realize that our future growth and prosperity can be accomplished best by integrating with the global economy and that if we are to become a global player, our products have to measure up to global standards.

The results of these reforms are impressive. Last year the economy grew by 5.3 percent. According to our projection, a similar target will be achieved next year, but I find that a U.S. group of experts has a more optimistic expectation and anticipates that the figure for next year may be 6.3 or 6.4 percent. Industrial growth was almost 9 percent. Foreign exchange re-

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erves have gone up from \$1 billion in July 1991 to \$21 billion today. Food reserves are at a record high of 30 million tons. Our exports are growing at the rate of about 20 percent in dollar terms. Inflation has declined sharply in the last few months. Investment offers, direct or indirect, which were under \$200 million until only three years ago, are of the order of \$4 to \$5 billion in the past two years. All in all, the Indian economy is today poised for a sustained growth of 6 to 6.5 percent between now and the year 2000.

In implementing our reforms, we have attempted to maintain a political consensus behind them in the country, avoid shock therapy and overheating, and deliberately and carefully sequence the reform process so as to minimize social pain and develop stable markets. We certainly intend to stay the course we have set for ourselves.

Our approach has undoubtedly succeeded so far, as borne out by the enthusiastic response received from foreign investors, in particular those from this country. The United States has now become our largest source of foreign investment, with almost 40 percent of approved new investment originating from the U.S. The enlargement of our economic ties is dramatically illustrated by the fact that, in 1993 alone, U.S. firms invested more in India than in the previous 45 years of our relationship. The U.S. is also now our number one trading partner, with an estimated \$7.6 billion in goods and services exchanged in 1994. It accounts for 18 percent of our exports and 20 percent of our imports.

We are encouraged by the identification of India by Commerce Secretary Ron Brown as “one of the ten most exciting emerging markets in the world.” During Secretary Brown’s recent visit to India, business deals of around \$7.7 billion were signed. This, plus the \$10 million business tie-ups in the energy sector firmed up during Secretary O’Leary’s two visits, underscores the enormous opportunities for business and investment in India for U.S. companies.

## **Multilateralism in World Trade**

In the more economically integrated world ahead of us, it is important that all countries, in particular major trading countries like the U.S., act to strengthen the multilateral trading system. The Uruguay Round has given us an effective framework in the World Trade Organization. On our part we intend to abide fully by the obligations assumed by us as part of the multilateral agreements adopted in Marrakesh. A strong multilateral framework, such as we have established in the WTO, is our best guarantee for continued growth of world trade and prosperity. As we liberalize and reform the Indian economy, this is of vital concern to us. While we can sympathize with the impulses that animate America in controlling what it regards as restrictive trading practices, we do not believe that unilateral measures are the answer. The last thing we wish to see is a trade war between major trading nations, as that is bound to affect our interests adversely.

## **Indian Americans**

There are around 800,000 people from India in this country, according to the U.S. 1990 census, who have made the U.S. their home. These Indian Americans have made a signal contribution to American society. They have also demonstrated how the values they brought with them from India—the ideals of family and education, for example—can help overcome almost any barrier in this land of opportunity. We take pride in the fact that this community has done so well. They form a vested interest in good relations between the U.S. and India. At one stage, we used to fret about the “brain drain” which brought tens of thousands of highly skilled young persons from our country to the U.S.A. and other Western countries. We may still feel the loss in some respects, but we are now able to regard Indians



abroad as a resource for the mother country, creating goodwill for India, providing a bridge between the two countries and a source of expertise and capital for the development of India.

## **Terrorism**

The end of the Cold War has considerably eased the global security situation. But not all regions of the world have benefitted from reduction of tensions. The end of the Cold War has spawned new threats and dangers to the stability of individual states. Ethnic conflicts have sharpened and international terrorism become more widespread. The Oklahoma bombing has brought home dramatically to the American people the human tragedy that is caused by mindless terrorist violence. What you have suffered at Oklahoma City and earlier at the World Trade Center, we in India have suffered in much more virulent form for over a decade in both Punjab and Kashmir. The Bombay blast in March 1993 constituted the biggest single act of urban terrorism in history, causing over 300 deaths and injuries to over 1,000 people. Just a few days ago in Kashmir, the terrorist organizations, the Harkat ul Ansar and Hizbul Mujahideen, burnt down a four and a half century-old religious shrine on the day of the holy Muslim festival of Id-ul-Zuha in a cynical bid to stoke religious fires. The international community needs to join hands to combat the mounting menace of international terrorism and break its close linkage with the narcotics trade. We find it particularly reprehensible that terrorist organizations should be used to subvert legitimately appointed governments and to promote territorial claims on behalf of their sponsors.

## **South Asia**

We are strongly committed to setting up a structure of durable peace in the subcontinent. There are many problems in our region, but we seek to address them through dialogue and peaceful means. Ultimately, peace is the best guarantee for the security of any country. Global and regional peace and stability provide the best bulwark for a nation's defense. With Nepal, Bhutan, Bangladesh, Sri Lanka, and Maldives, India enjoys good friendly and cordial relations. We are constructively engaged in steps to improve our relations with China and have made significant progress in recent times. Unfortunately, with Pakistan we continue to have serious difficulties. Despite our best efforts to engage Pakistan in a serious bilateral dialogue to find solutions to all outstanding issues between us, we have failed to persuade them so far. The 1972 Simla Agreement provides a mutually agreed framework to settle our differences, but Pakistan regrettably has rejected all our calls for a dialogue without preconditions, with or without agenda, at any place of their choice, whether in India or Pakistan.

The SAARC Summit earlier this month provided a useful opportunity for Prime Minister Rao and President Leghari of Pakistan to have an exchange of views. We hope that Pakistan will see reason and accept the fundamental proposition that, as two neighbors, we have a lot to gain if we are friends and a lot to lose if we do not make a serious search for realistic solutions to our problems. We may not be able to solve all our problems at one go, but dialogue will permit us to make a start. Let me add that we have no plan or intention to stoke tensions in the region or in any way to threaten regional peace.

## **Non-Proliferation**

India has faced four major aggressions across our borders since independence. Nuclear weapons and missiles are all around us. Our defense needs are large, but our means to fulfil them are limited. We feel accordingly that our security is best met through progressive

global measures for disarmament and non-proliferation of weapons of mass destruction. In 1954 we took the lead by introducing a resolution in the United Nations for a complete halt to nuclear testing. In the early 1980s, along with other countries, India had proposed a global convention to cut off all production of fissile material for nuclear weapons. These proposals figured again in the 1988 Action Plan on Nuclear Disarmament proposed by the then Prime Minister Rajiv Gandhi at the third Special Session on Disarmament, which still merits attention as a well thought out and practical program for universal disarmament.

The end of the Cold War has created conditions for implementing these proposals. India and the United States are actively cooperating in the U.N. towards this objective. But these are only intermediate steps. Our goal should be to deal with nuclear weapons in the same way as the international community has dealt with the questions of chemical weapons and biological weapons. Our Prime Minister and President Clinton have jointly endorsed the objectives of eventual elimination of all nuclear weapons.

India has always adopted a cautious and measured approach in building up its own defense capabilities. Our current expenditures, at around 2.5 percent of the GNP, are far less than those of our neighbors. We have no aggressive aims against others. We covet no nation's territory. We would have preferred to devote all our energies towards economic development. However, our experience of facing repeated aggression has shown that an adequate defense capacity is unavoidable. For all this, however, let me say that the talk one hears, especially in the West, about a nuclear showdown in South Asia is rather farfetched, if not altogether fanciful.

## **Conclusion**

I hope I have been able to convey a sense of the many things that we share with you. Let me conclude by reiterating what our Prime Minister said last year, in his address to the U.S. Congress: "Indo-U.S. relations are on the threshold of a bold new era." The pace at which Indo-U.S. relations have developed and expanded in the past year demonstrates that we have already entered that era. I have no doubt that the new Indo-U.S. partnership we are forging will go from strength to strength.

