

Transcript of interactive session with US Ambassador David Campbell Mulford

Chennai, May 19, 2008

Ambassador: I'm coming up to almost four and a half years in India now, which will shortly make me the second longest serving ambassador in the history of the United States in India, because I think sometime in June or so I passed Mr Ellsworth Bunker and became the number two longest serving. And India is a place that I think you'll probably agree requires some time to understand -- I won't say master, but to understand. And so I've developed a number of perspectives that perhaps I could just quickly summarise.

Oddly enough, one of them is very much the same as when I arrived. Which is -- and I think it's because I come from a private sector background -- I see the US-India relationship essentially as a massive civil private sector relationship. If you want it to look like a doughnut, at the core of which would be the official bilateral relationship, and the doughnut just keeps getting thicker and then the centre stays roughly the same. And for that reason I use the word, which is not particularly a good word, that the US and India have a comprehensive relationship. It touches virtually all areas of activity.

And this is unusual. The United States mission in India now is the largest mission that the United States has in the world, bigger than London, Paris, Moscow, Cairo and Japan. And we have approximately 24 to 25 agencies of one kind or another in the mission and each of them has separate interests and functions and so on and so as I've said elsewhere, to be the ambassador here, it's a bit like being the chief executive of a company with 24 divisions, all of which are doing different things and touching different parts of the relationship. And the result is that our relationships extend into virtually every area of human activity.

And this has been a continuing process and it has continued right along without any interruption. The only difference is that in the last year or two, the civil nuclear issue has, in a way, sucked the oxygen out of everything else. And the media has focussed mainly on that. And all these other things, they get reported and they get discussed but not as a comprehensive unit. And that is understandable but I always take a moment to emphasise that, because it is a very, very durable relationship, a people to people, company to company, university to university, city to city -- whatever context you want to put it in, healthcare, hospitals, engineering institutions -- it is a very diverse and durable relationship.

And what this means is that in the official bilateral relationship where the two governments do not always see eye to eye on a variety of issues -- and indeed, in the case of the civil nuclear agreement, we have not yet completed that agreement -- and people say, well, isn't that going to damage the relationship? The answer to that, I think, is that it will have very little effect on the broad exterior part of the relationship. I think at the heart of the relationship, it's unlikely to have a significant impact, but I don't think you can say it won't have any, simply because at the heart of the relationship, there is a level of trust that is built up between the two partners on things and both sides have degrees of discretion in what they can do and so whether or not the same breakthrough feeling on

discretionary issues will persist or will suffer a period of setback or pause I just don't think anybody can really know.

But none of this will in my view change the essential direction and health of the relationship.

That is the point I wanted to make in my opening remarks and now I want to open it up to the things that interest you.

QN: With the crisis in the US financial sector, what is the message coming from the markets today?

Ambassador: Well, this is the field from which I come. As a professional, I've been in the international financial business all my working life, and I perhaps see this crisis somewhat differently.

I look at it over a period of say, 45 years, in which I've seen and been a participant in the creation of a global financial system that was not there before. And that process started in the 1960s when the United States closed its capital market with a thing called the interest equalisation tax and forced its companies that were doing business offshore to borrow money offshore. And it was the same period shortly after, when post-World War II, European countries began to get back to convertible currencies in the late 1950s and that began to stimulate the market.

But in those days each country's market was surrounded by regulations that isolated those markets so you had no international cross border market until the sixties when it began in a very small way to develop. What's significant about that period is that the developments were largely unregulated, and so you saw countries and companies issuing financial instruments for the first time to buyers outside the main markets and using all different kinds of instruments and so on. And this made the regulators in the various countries a little uncomfortable.

But the fact is that because it was an unregulated market, there were huge strides made in what could be done, and over the next period of time all major countries deregulated their markets. That is to say, they took apart their capital controls or other prohibitions and sort of joined the world market to one degree or another and this process continued. And I see this process as what we're looking at through this whole period.

In its more recent phase, we saw the development of very, very sophisticated, structured, derivative products splitting and selling and sharing risk, elaborate off-balance sheet project financing and so on. And this process clearly got out of control. And it is the banks now that are suffering and they have to address the problem. And the regulators who kept up -- but not entirely, so the market was always running ahead of them -- they, as you no doubt know, there's a lot of regulators who are political people around who feel, well, we should persist and tighten controls and put everybody back in the regulator box and punish people for this and that and so on.

I don't see that as particularly useful. I do think we should make improvements in our regulations, but the pain and the penalties and the suffering is going to be done by the banks themselves. They're already doing it. When you see these big write-offs that Citibank and JP Morgan and Morgan Stanley and everybody are taking -- this is painful stuff. They're letting people go, they're suffering in their stock price, the wealth creation prospects of the people who work there have been completely demolished for the time being, and my feeling is that what is necessary to fix the problem is happening. Mainly, people are stepping up and taking the pain.

What we have to have to solve this problem is total transparency and people owning up and taking the accounting consequences and that is happening. By the time the governments legislate what should happen, it'll be past. They can legislate and they can set up regulations that guard against excesses of this kind in the future and they should do so. But in a free market, there will be new excesses at some point probably, and we'll see some of these things again. But I think the problem is well on its way to being fixed.

QN: From what you said about the nuclear deal, can we assume that it is virtually dead?

Ambassador: No, no the deal isn't dead. It's very hard to manage this process in public and therefore what we did was, we indicated to people that we needed to have the decision by India to go forward fairly early in this year. And the reason for that was that that was the Congressional timetable that the Congress had prescribed when it passed the Hyde Act for bringing the 123 package back to Congress for final processing. And as time has gone on, it's become clear that we can no longer meet that timetable and that Congress will not be able to meet that timetable in accordance with those procedures.

But the United States Congress is an institution which has a small core of leaders who can decide to approach something differently. And in more recent times, when we've had various Congressional visitors, you've seen people like Mr Biden indicate that, you know, we understand the delay and, you know, we're patient with local process in India and we respect that process and it looks as if, you know, we get something by June, we can still process it.

So that's where things stand. I think we're down to the last days, practically speaking, but nobody can be absolutely sure because the Congress could make a determination that something that's so important, and do it on short notice, so nobody can be absolutely sure. But we're clearly at the point where there is, practically speaking, only a very narrow window to complete the process.

QN: Ambassador, while the deal is still in the process of being completed, what will the US government stance be on India sourcing uranium from non-NSG sources like Niger?

Ambassador: Well, it's all been determined that everything will stay in place. Because if India was going to buy uranium from somebody else -- I mean, they could have done that anytime.

The Nuclear Suppliers Group (NSG) of countries will not cooperate with that and nor will the major countries such as France and Russia, who have reached understandings about cooperating with India, but whose conditions for activating those understandings is that the current deal has to go through the IAEA, the NSG process, and be ratified by the full international community of civilian nuclear countries.

So that would be regarded with disapproval.

QN: In the field of education, what are the prospects for further cooperation?

Ambassador: If you talk to American universities, I think what you'll find is that they have a huge interest in India. They are talking to various state universities, they are visiting of course at the federal level, and they are very interested in expanding their relationship. And not just in the case of attracting more Indian students, but in exchanging students, exchanging professors, and in many cases, even thinking about investing capital in India, in the university system, either on a joint venture basis with other players here... There's a lot of thinking going on. But nobody, apart from, I think, Georgia Tech which has announced that they're going to build a graduate engineering centre in the south at Hyderabad...

But there's great interest. We now are up to about 84,000 Indian students studying in the United States. The bulk of those are graduate students. The visa application for students is rising by about 30 per cent per year, which tells you that in that population of Indian students, a fairly large number are coming back. Because I'm sure that the population won't go up by 30 per cent. It'll go up by maybe about 10 per cent and you'll know that a lot of Indian students are coming back here.

I think down the road, US universities are going to be looking at methods or different models of cooperation, all the way from exchanges to joint degrees, investment in a physical plant in India if possible. But I think that's still to come, because it's in the discussion and reflection stage.

QN: American scholars in India -- how easy do they find...? There are still visa restrictions in India, we learn, for many American students...

Ambassador: Well, we have 84,000 Indian students in America --

QN: No, I mean here.

Ambassador: -- and here, we have 1,700 Americans. So there's a trade imbalance there of some considerable size and it seems to me remarkable that that should persist. In fact, I don't think it will, because India's arrival on the world stage -- or if you want to put it that way, India's arrival in the US -- is something that's only three or four years old in terms of this new relationship where the whole country is aware of India, the media coverage is regular on every page, there's articles every day.

Young people are fascinated by India and they're going to be putting pressure on their universities to have an exchange programme here just as they have in Europe or Japan or China or wherever. In fact, I know that's going on. So the universities are going to have to find a way to accommodate those demands because American students want to come here. It's a little hard to come all on your own, to get a visa and find out where to go. It's much better to have a sort of organised exchange operation. But I think that will come.

QN: Some American scholars that we know for a long period tell us that the authorities are very resistant to allowing them to work, especially on sensitive subjects or areas, here in India, and this has been not a recent problem but of fairly long standing. Have you heard about it?

Ambassador: Yes, this is an issue that's been very much on my plate because we've had enormous problems in the Fulbright programme. We have about 90 Fulbright scholars a year that come to India, and under the Fulbright programme, the applications are processed and the announcements are made in April, and then the arrangement is that within three months, those scholars are to be processed and given visas and come to India for the school year. Some of them are people who are teaching English in your high school system, so they have to be here by September, or August.

We actually got to the point two years ago, where, of our 90 scholars, only 10 or 12 were cleared, and we had 40, 50 of them lingering and I was getting letters from parents and students saying, you know, I gave up my job or I rented my apartment and now I'm living with my parents, can't get my visa...

So I took this up with the government and we began to work on a better plan to process it. Because there were two problems – there was getting the visas, but there was also rejection of projects without explanation for about 10 or 12 per cent of the applicants. Whereas for the Fulbright students from India coming to America, we process a Fulbright in an afternoon, we don't care what subject he's studying. We look at his programme and we just give him a visa if he's got that scholarship.

We then looked into the question of the Fulbright programme itself. I began to question whether we had the right format. And when you look around the world at the Fulbright programme generally, most countries in the world over the years have become contributors to the programme.

So I approached the Indian government, and said I thought that the right thing to do here is two things – alter the agreement so that India put up half the money and therefore would be a participant and we could expand the programme. And secondly, that if they did that, that we should authorise them to go to private corporations and raise money on top of that, so that a programme which has about 150 scholars today, could easily have 600 or 700. And they have, at this point, agreed in principle to these things. We had a very good dialogue, and we are in the process of, we hope, working these things through to the point where we can complete this and sign a new agreement.

At which point in the last year, we have had much better issuance of visas, much less in the way of rejection of programmes. So there has been real progress.

QN: The President Bush remark recently about the impact of rising Indian and Chinese demands on food prices has triggered a certain amount of reaction here in India. You know President Bush well, so what do you think he meant?

Ambassador: Well, I issued a statement, which I think you saw, which was very short and to the point. And anyway, President Bush is a great admirer and friend of India and he was making an observation among many that was taken out of context. And he was also talking about the American food programme which we are expanding very, very significantly to over two billion dollars and he was talking about other phenomena as well in a changing world. And I was surprised and I was not all impressed by the superficiality of the comments that came, especially from India. And so I said, I think we have to focus on getting ahead with solving problems and move away from these really unpleasant vitriolic comments against Mr. Bush who has done a lot for India, he's a great friend of India, and it was a very unfair way to cull out that particular line in his remarks. And my own impression is, it tells you more about the commentator than it does about the issue.

QN: President Bush apart, do you think the large scale shift to biofuels from corn and agriculture -- has it really had an impact on world food prices?

Ambassador: Well, that's an issue that I think will take some time to really understand because biofuels were a fashionable solution for many, many years to a lot of people for addressing energy shortages, approving (???) the environment and so on.

It is now clear, now that the programme is going, that it is having unintended consequences which are quite hard to measure in terms of prices. In the United States, the efforts that have been made by economists put the effect at something like three per cent on food prices of the biofuels impact. My own instinct is that it must be higher than that.

QN: We have an article today on the editorial page based on the Congressional testimony of Arvind Subramaniam...

Ambassador: I thought the article you had today was very balanced, very good. He made the very points that I would make. In fact I would rest my case with that article. Basically because I think he covered...and I think that will happen. I think now people are looking to step back and I think they'll look a little more intelligently into the range of the problem. They'll have to start working on what to do because it is a genuine challenge.

And the United States is in the process of making what would be a very big change in its food programme, which is to buy food close to where the food is needed, instead of sending US food. That's a big decision, but it's done on the basis that that's a faster way to get food to needed areas -- buying locally and supplying it nearly locally, instead of the

time it takes to ship food from the United States and send it. So a real effort is being made and I think we're only beginning with this problem.

QN: This is a time of change in both our countries, major change, a change in administration, perhaps earlier in the US than here, and there are some uncertainties and imponderables. What are the certainties and ponderables in this relationship?

Ambassador: I think of all the major relationships the US has around the world, this is the one that will probably change least by a change in administrations in Washington.

I say that because, going back to my original remarks about the doughnut, Americans like India.

They've discovered Indians in America in a much more pronounced way over the last few years. The Indian community in America is very popular, very admired, very respected. I think the job that was done by the Indian community in the United States on the civil nuclear legislation, for example, the lobbying process was deeply impressive in the minds of political leaders, because it was balanced, it covered both Democrats and Republicans, and it was done intelligently and convincingly and successfully.

I think that India has in many ways captured the imagination of America and therefore I see the relationship continuing pretty well as it is today.

That might change if there was a major rupture over something in the policy area but I don't really see that happening, because between the United States and India, there is as body of -- certainly not common policy -- but there is a body of fairly common interests that we have. We have all the features of democracy that we share -- a different type of democracy in a way -- but you know, a free press, the rule of law, individual freedom, religious tolerance, a secular state, a military that is under the control of political civilian leadership...there's a long list of these things, and what they generate is a wide variety of similar values and similar interests, and after all this is what governs the relations between nations.

And it is, I think, what in the years from 1947 until more recently, what divided the two countries in a relationship that was very much up and down because the commonality of those interests was not really in place the same way. But India has moved into a reform process here, the transformation of India's markets, the transformation of India's vision of its place in the world, which is visible in financial markets, corporate investment behaviour, travel and all kinds of things -- education, healthcare. These are the things that bring us together.

And therefore, I think that the change in administration will not be a significant event.

Editor: Thank you very much.
