



# Indian


# *Summer*

The U.S. ambassador to India explains how the world's largest democracy won the hearts of U.S. business, narrowly avoided political meltdown, and told the World Trade Organization to stick it.

By Art Jahnke

On the afternoon of July 22, 2008, as the Indian Parliament prepared to vote on a motion of confidence that threatened to bring down the coalition government of Prime Minister Manmohan Singh, the doors of the Parliament suddenly swung open. Three opposition members burst into the room, and tossing bundles of rupees on the floor, announced that the ruling Congress Party had offered \$2.25 million in bribes for not voting against the government.

In India, politics are livelier than they are in the United States. In addition to allegations of multimillion-dollar bribes, there was talk of members of Parliament (MPs)



During his four years as ambassador, David Mulford has witnessed, and aided, India's emergence into the world.

being kidnapped and reports that jailed MPs who sided with the government were being released for the vote. In the India of 2008, the rumors hardly raised an eyebrow.

“The bribe thing was nothing,” explains David C. Mulford (GRS’62), who has been U.S. ambassador to India since January 2004. “It was just some guy coming into Parliament and opening a suitcase and saying, ‘See all this money? This is what I was paid to change my vote.’ And the people freed from jail? In this country, when a member of Parliament is serving a term in jail, he doesn’t lose his right to vote.”

In the India of Mulford’s ambassadorship, the India that, with 1.1 billion people, is the largest democracy on the planet, lots of things that might astonish in the United States are considered business as usual. It is a country with an 8.7 percent annual economic growth rate and one of the worst polio problems in the world, a place where highly skilled workers use algorithms to determine financial derivatives that are sold on Wall Street and where daily life choices are

often determined by astrology. One day this past summer, the home page of the *Times of India* online carried an article advising readers not to fear an imminent solar eclipse. Nearby, an item reported on a pornographic video of Nepali girls that had been posted on YouTube.

“A revolution is happening,” says Mulford. “These years that I’ve been here are the years that India has emerged in the world.”

#### **HISTORIC INITIATIVE — OR SELLOUT TO THE WEST?**

When the votes were counted and the rupees swept from the Parliament floor on that July evening, Singh’s coalition government survived, by a vote of 275 to 256. In doing so, it showed all of India that it had the political muscle to move one step closer to a long-stalled nuclear trade deal with the United States, a deal that leftist parties decried as a major sellout to an overbearing superpower and that Mulford calls “a truly historic initiative.”

In fact, the rupee-tossing marked the beginning of several events of historic dimensions. On July 29, at the World Trade Organization's Doha talks in Geneva, Indian Commerce Minister Kamal Nath faced down demands by the United States and European nations that India swear off protectionist tariffs. Three weeks later, Pakistan President Pervez Musharraf resigned, leaving India with an antagonistic nuclear-armed neighbor whose government was in free fall.

The imposing, white-haired Mulford, former chairman international of Credit Suisse First Boston and undersecretary of the U.S. Treasury, takes comfort in Singh's assertion that 80 percent of Indians approve of the United States. It is Mulford's job, after all, to polish relations between the United States and India, opening doors to commerce, political cooperation, and cultural exchanges.

"In some ways it seems that everything I've done has prepared me for this job," says Mulford, who has served as an international advisor to Treasury secretaries Donald T. Regan, James Baker III, and Nicholas F. Brady. "There were nine years in Saudi Arabia, my years in the U.S. Treasury as a senior advisor for foreign investment, and my years as a banker, doing large-scale investment all over the world. That's why the president asked me to do it — he wanted someone with a background in business as well as in government and economic reform. Those are all key aspects of modern India."

Since he was sworn in as ambassador, Mulford has pressed for U.S. interests on dozens of initiatives, trying to open doors in several industries, from insurance to agriculture, and smooth India's ascent to its place as one of the world's top economic powers. In the last two years, he says, he has seen the results of such efforts: sales of U.S.-built military aircraft worth billions of dollars, enormous investments by U.S. businesses in India, a new "open-skies" agreement on airline flight rules and airplane sales, record numbers of Indian students and visitors in the United States, and his personal favorite — a doubling of the size of the U.S./India Fulbright scholarship program.

But none of his efforts, Mulford says, has greater importance than the nuclear deal that grew so hot that it threatened to sunder the government he was sent to woo. Known as the 123 Agreement, it is a complicated set of international policy changes intended to allow India to shop in world markets for peaceful nuclear technology, despite that country's refusal to sign the Treaty on the Non-Proliferation of Nuclear Weapons.

"Mr. Bush is very keen to see India become a world power," says Mulford. "We introduced an agreement that would help normalize relations and remove the prohibitions that have isolated India for thirty-five years. It would permit world trade in nuclear technology, and that would permit India to build a substantial civil nuclear industry and reduce its dependence on imported oil and its heavy use of dirty coal."

**AMBASSADOR DAVID MULFORD (LEFT),** with U.S. Assistant Secretary of State Richard Boucher, at a press conference in New Delhi.

The deal, he says, will help India's nuclear power industry increase its energy output from 3 percent of the country's power supply to 20 percent, and it will help keep carbon emissions low. It will also, according to the *Wall Street Journal*, send billions of dollars to the U.S. companies that would sell the technology and build the nuclear plants. The U.S.-India Business Council estimates that India is likely to spend more than \$100 billion expanding its national power capacity over the next twenty years.

Equally important, according to Mulford, the deal would place India's civilian reactors under international safeguards. Those international safeguards, and concern that the pact would restrict India's strategic nuclear program, so angered India's leftist parties that they abandoned the governing coalition. To shore up support, Prime Minister Singh promised that the agreement would not in any way affect India's right to undertake future nuclear tests.

"The leftist parties here are deeply anti-American," says Mulford. "They do not want Indian foreign policy to be too close to the United States."

#### **ASTONISHING GROWTH, STUBBORN PROBLEMS**

In fact, for four of the six decades after India was granted independence from British colonial rule in 1947, there was little danger of the country being too close to the United States. Indians perceived the United States, correctly, as being on better terms with rival Pakistan, while in the United States, India was considered uncomfortably cozy with the Soviet Union. Mulford describes the dance of the two countries as "a very up-and-down relationship for fifty years.

"But with the end of the Cold War and the collapse of the Soviet empire," Mulford says, "India began to seek a better

relationship. Lo and behold, as time went on, we discovered we had all these shared values: being a democracy, having a free press, freedom of religion, a court system that works, and a high level of political tolerance.

"Still," says Mulford, "it is only in the last five years that a mature relationship has begun to develop. India has moved its growth rate to the 9 percent range. It is reducing tariffs. It used to have a business section that was protected, and now



PRAKASH SINGH/AFP/GETTY IMAGES

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astounding economic growth has been a double-edged sword, pushing the country's infrastructure to the brink. Even major cities often go without power for several hours a day.

India "still lacks a world-class infrastructure," says Mulford. "It needs things like modern roads and modern water treatment facilities. It has a huge demand for education. Unlike China, India has a large young population. It has a population of 1.1 billion, of whom 55 percent are under the age of twenty-four."

Health care, too, is in desperate need of improvement. "The country has major challenges with several serious diseases," he says. "There is a problem with malaria, HIV/AIDS, various fevers. Every day, 1,300 people die of tuberculosis."

Mulford would like to see India allow foreign interests to own greater percentages of companies in several industries, and he'd like it to do away with some of its tariffs on agricultural products. "The problem," he says, "is that two-thirds of India's population lives in rural areas and is engaged in agriculture. A vast portion of that is subsistence agriculture. The Indian position has been that they cannot open that sector without destroying the livelihood of subsistence farmers."

That position led, just a week after the July 22 vote of confidence, to India's refusal at the closely watched Doha talks to allow unrestrained imports of agricultural products. The move, which was supported by China, was described in the *New York Times* as "the latest sign of India's and China's growing might on the world stage and the decreasing ability of the United States to impose its will globally."

While India was giving first-world international trade ministers fits in Geneva, Pakistan was giving Indians good reasons to worry about their own security. Just days after

it's found that it can be an efficient producer and a world-class player."

Last year alone, the high-caliber technological skills of India's labor force attracted \$13.6 billion in foreign investment, most of it in information technology and much of it from U.S. companies. Mulford says India currently hosts offices of more than a dozen major U.S. information technology companies, including Dell, Hewlett-Packard, and IBM, as well as big manufacturers like Ford, Toyota, and John Deere. But India's

the Doha declaration, Pakistan's spy agency was linked to the July 7 attack on the Indian embassy in Kabul, Afghanistan, which killed fifty-four people, including an Indian defense minister. Two weeks later, the beleaguered Musharraf resigned, to be succeeded in September by Asif Ali Zardari, the widower of slain former Prime Minister Benazir Bhutto. Zardari had claimed two years earlier in a corruption trial that he suffered from dementia, depression, and post-traumatic stress disorder.

"The Indians are deeply concerned," says Mulford. "Nobody in the United States or India wants a failed state on India's border, especially one that is a nuclear state and has had an antagonistic relationship with India. The Indians believe the civilian politicians have not demonstrated the ability to run the country. They do want to work with the Pakistanis on a peace process, but they believe that the Pakistan government is not in charge of all of its territory."

#### **GOING NUCLEAR?**

In early September, the 123 Agreement cleared the first of two remaining hurdles. With help from U.S. Secretary of State Condoleezza Rice, who made dozens of phone calls urging support for the deal, it was approved by the Nuclear Suppliers Group (NSG), a cartel of forty-five nations empowered to sell nuclear technology to a short list of nations that are authorized to buy it.

Mulford is hopeful, both for the Bush administration's agenda and for India. "The Indians see this agreement as not just an energy issue," he says. "They see it as something that after thirty years of isolation will return them to the world and permit them to rise to superpower status and get their rightful place in the United Nations, the World Bank, and other institutions."

And yet the last hurdle is perhaps the tallest: the approval of the U.S. Congress, an uncertain venue where opponents had already started to stake out their turf.

On September 4, the day before the NSG approval, Howard L. Berman, a Democratic congressman from California and chair of the House Foreign Affairs Committee, released a letter sent to the committee from the State Department in January 2008 stating that the United States could halt nuclear sales to India if India conducted any nuclear tests. News of the letter reached India within hours, and leftist parties in New Delhi were quick to claim that Singh had lied when he promised that the 123 Agreement would not influence India's right to conduct such tests.

For two days in September, it appeared that the summer of 2008 might end as it had begun, with opposition parties calling for the resignation of the prime minister and charges of deceit echoing through the halls of Parliament. Then the outcry subsided, and all eyes turned to the U.S. Congress, which would soon determine the fate of legislation that, in Mulford's words, would open one more door, a door that would allow India to step forward and take its rightful place in the world. ■