

**Speech by Ambassador Meera Shankar
U.S.-India Aviation Partnership Summit Dinner
Washington, DC
December 8, 2009**

Transport Secretary of the United States Mr. Ray LaHood, Congressman Jim McDermott, Mr. Nambiar, Secretary Ministry of Civil Aviation of India, Ms Leocadia Zak, Acting Administrator of UDS Trade & Development Authority, Dr Zaidi, Director General of Civil Aviation of India, Mr. Lindon, Chief of the Aeronautics Division of the Air & Space Museum, Distinguished guests,

It gives me great pleasure to be here with you for the official summit dinner of the second India-US Aviation Summit. I know that but for his commitments in connection with the Parliament session currently underway in India; Minister of Civil Aviation Mr. Praful Patel would have been with us today. This Summit was born out of his vision, which found full support from the US government agencies present here – the US Department of Transport, in particular the Federal Aviation Administration and the US Trade and Development Agency. However, both in the birth of this Summit as well as its extraordinary success, the driving force has been the soaring synergy of this sector; supplemented by the energy of the US and aviation companies keen to exploit the tremendous potential. Therefore, I would like to begin by commending the government- private partnership, which the aviation summit represents.

How fitting that we are meeting today in the National Air & Space Museum, the most popular of the Smithsonian museums. It is reputed to have the largest collection of air-craft and spacecraft in the world and has emerged over the last thirty plus years of its existence a vital center for research into the history, science, and technology of aviation and space flight. It attracts adults and children alike; it fires their imagination. Given the rich history of innovation in aviation and space in this country displayed in this Museum, it is but natural that there should be a vast scope and potential for bilateral cooperation between India and the United States in these sectors. Hence, the theme of this summit - Aviation Partnerships in the Modern Air Transport Era – is indeed very apt.

Yet, it has taken time for this cooperation to take off. Indian economy began to liberalize only in early 1990s. The transformation that began in earnest with the milestone visit of President Clinton in 2000 has continued through changes in governments. It is now established as a strategic partnership; which was reaffirmed a fortnight ago by the leaders of the two countries; when Prime Minister Manmohan Singh visited Washington DC as the first state guest of the new Administration. Welcoming him, President Obama spoke of the opportunity before us to build the relationship between our nations into one of the defining partnerships of the 21st century. This is feasible because already this partnership encompasses a very broad spectrum of human endeavour and economic enterprise, nurtured not only by the engagement between the governments, but

also by the vitality of our fast expanding private partnerships and warmth of ties between our peoples.

It became evident during Prime Minister's visit that the bilateral relationship has matured into a broad-based, multi-faceted one. In this coming of age of the partnership, robust cooperation in the aviation sector is of great importance – as it makes possible the flow of people, good and services.

It was the India-US Open Skies agreement signed in 2005 that unlocked the door to a new era in Indo-US aviation partnership. Over the last four years, this has emerged as the fastest growing area of Indo-US economic and high technology engagement. US civil aviation exports to India in 2008 were US\$ 2.6 billion; almost 60% of the total Indian high technology imports from the US during the year. Aircraft and aerospace products have emerged as the fastest growing component of US exports to India.

As India continues with the expansion and the modernization its civil – and military – aviation capabilities, we need technology, equipment, and human resource support. The United States is a preferred partner in all these areas.

Today India is the 9th largest aviation market in the world and the Indian Civil Aviation market grew at a compound annual growth rate of 18 per cent in 2007-08. Though it has faced a temporary setback with the global economic downturn last year, it is expected to regain the momentum in the coming months with the Indian economy showing strong signs of recovery. In the last quarter, our GDP grew by 7.9%, surprising even the most optimistic economic analysts. We are optimistic that we will be able to return to a high growth path of 8-10% and this will, naturally, reflect on the expansion in the aviation sector.

Confidence in the rebound in the Indian civil aviation sector got a boost with the data released recently by the industry regulator the Directorate General of Civil Aviation that indicated a double-digit growth in air traffic in August 2009. In fact, according to the Centre for Asia Pacific Aviation, domestic traffic in India will increase by 25 per cent to 30 per cent, and international traffic growth by 15 per cent, taking the total market to more than 100 million passengers by 2010. By 2020, Domestic traffic could reach 160-180 million with international traffic in excess of 50 million.

The Indian government has taken significant measures to propel growth in the civil aviation sector. It plans to invest US\$ 9 billion to modernize existing airports by 2010. Another \$20 billion would be required as the programme progresses..

We have put in place a facilitative framework to support a greater role for the private sector in this process. 100 per cent FDI under automatic route is permissible for greenfield airports. For existing airports, FDI up to 74 per cent is permitted through automatic approvals and up to 100 per cent through special

permission. 100 per cent tax exemption is allowed for airport projects for a period of 10 years. 74 per cent FDI is permissible in cargo and non-scheduled airlines. The Indian government has established an Airport Economic Regulatory Authority to provide a level playing field to all players.

The aerospace industry in India , which is in its early stages, is seeing steady progress. Just last month the country's first special economic zone (SEZ) dedicated to the aerospace industry was inaugurated in Belgaum in Karnataka with an initial investment of US\$ 32.5 million. An AeroPark is proposed in Tamil Nadu for the global aerospace and aeronautics industry in the areas of design, manufacture and maintenance of aircraft. A Special Economic Zone is being developed in Andhra Pradesh for Aerospace and Precision Engineering. All these projects will significantly transform the landscape for aviation in India.

As the Indian economy resumes its growth trajectory of 9-10%, we can be confident that the aviation sector will continue to play a key role in the bilateral economic partnership in the medium to the long run.

Besides being the source of hi-tech aviation equipment, technology and related services, US companies can be partners in modernization of India's airports, By August 2010, we expect Delhi airport to increase capacity to 100 million passengers and Mumbai airport to 40 million, in time for the Commonwealth Games. We are moving rapidly on the development of 35 non-metro airports as well as Brownfield development of Chennai and Kolkata. I want to invite US airport developers to play a more meaningful role in this process.

American companies can also assist us in the establishment of an aviation support industry to spur activities in maintenance and research centers as well as human resource development and training.

Simplification and liberalization of the web of export controls would be important to build a more facilitative framework for expanding our cooperation. While American aviation technology and equipment is undoubtedly among the best in the world, there are other suppliers. Given the mutual trust and confidence that characterizes India-US relationship today, it should not be more difficult for us to import different types of aviation technology and products from the United States than from these competing sources.

The most exciting thing about the fast-expanding bilateral cooperation in the aviation sector is its multiplier effect on the whole growth process. It will lead to a rapid and significant enhancement of India's transport infrastructure, by connecting India to other parts of the world and also internally. Thus, it will act as a catalyst to exponential growth in tourism and trade –domestically and internationally.

If we look at the other half of the partnership – i.e. the United States, every aircraft that we import from here creates ten thousand jobs across 50 states of this country. The joint ventures between US and Indian companies in this area, for example, the recent partnership between the Tata Advanced Systems and US-based Sikorsky Aircraft a subsidiary of United Technologies Corporation to make aerospace components in India serve to strengthen the global supply chain of the US company, enhancing its competitiveness. The early signing of a Bilateral Aviation Safety Agreement would hasten the process whereby Indian products certified by our Directorate General of Civil Aviation could be sold in the United States and in other parts of the world.

In conclusion, may I say that the opportunities for cooperation beckon and promise to be of mutual benefit? I invite US companies to participate actively in the international exhibition and conference on Civil Aviation, which would be hosted jointly with our national business chamber FICCI, in March 2010, in Hyderabad. I look forward to building a vigorous India-US partnership in the aerospace sector, which is expected to be one of the drivers of the wide-ranging and enhanced economic relationship that will increasingly bind our two countries and benefit both our peoples over the coming decades.

Thank you.