

## Remarks by Secretary of the Treasury Janet L. Yellen at Microsoft in New Delhi, India



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### *As Prepared Delivery*


Good morning. Let me start by thanking Microsoft for hosting me. I'm appreciative of your warm welcome and the opportunity to meet with private sector executives and engineers this morning. Your work is helping strengthen our countries' ties and contributing to our economic growth.

This is my first visit to India as Treasury Secretary. I'm delighted to be here as India celebrates its 75th year of independence and prepares to assume the G20 presidency. As President Biden said earlier this year, India is one of America's indispensable partners. The dynamism I've felt at Microsoft today – and in Delhi more broadly – is a testament to the talent of the Indian people and the vibrancy of its culture. It's no surprise that India is among the fastest-growing major economies in the world.

I'm also here at a pivotal moment for the global economy. We are dealing with a confluence of headwinds: the lingering effects of the pandemic, spillovers from Putin's barbaric war in Ukraine, and macroeconomic tightening as many countries grapple with inflation. Emerging markets and developing countries are particularly under pressure. Tens of millions more people face extreme poverty and hunger since Russia's war in Ukraine began. Prime Minister Modi was correct when he said that this "is not an era of war." I believe that ending Russia's war is a moral imperative. It is also the single best thing we can do to help the global economy. This is a view that is broadly shared among policymakers of the world's major economies.

Difficult times test us. But I believe the challenges we face are bringing the United States and India closer together than ever before.

I'll begin my remarks today by discussing the strong relationship between our two countries. I'll focus particularly on efforts to deepen our shared economic interests, including through trade. Our collective work is critical to showing the world that democracies can deliver for our people.



Then, I'll turn to our leadership on global priorities. The trajectory of the global economy will be shaped by the work that India and the United States undertake together. The same is true for the prosperity and security of the Indo-Pacific. As a lead developing country and the world's largest economy, we have great opportunity and great responsibility to make progress on the world's most intractable problems. In fact, I think that our continued partnership is an example of how advanced and developing countries can bridge policy differences and move forward on major policy objectives.

## **DEEPENING THE U.S.-INDIA RELATIONSHIP**

### **A. U.S-India Partnership**

I'd like to start by reflecting on the strength of our relationship.

The U.S.-India relationship continues to grow through its 75th year. Our ties are stronger than ever before. The United States is home to the largest Indian diaspora outside of Asia. It serves as India's largest export market. Bilateral trade between our two countries reached an all-time high last year, and we expect it to grow further in the years to come.

The dynamism of our relationship can especially be seen in the technology sector. Our people and our companies depend on each other on a daily basis. Indians frequently use WhatsApp to communicate; many American companies rely on Infosys to operate. Leaders of Indian descent populate the highest ranks of Google, Microsoft, and other valuable American companies. They're also responsible for starting a third of all immigrant-founded startups in the United States.

Domestically, both of our countries are pursuing long-term investments in our economic strength. Since the Biden Administration took office last year, we have enacted an agenda that I call "modern supply-side" economics. This agenda pursues investments in human capital, physical capital, and science and technology in order to boost the economy's productive capacity and reduce inequality. I know that India shares an interest in certain elements of this agenda as well. Prime Minister Modi has launched a 100-trillion-rupee infrastructure development plan, just as President Biden is deploying funding from our historic \$1.2 trillion infrastructure law. Both of our countries are also growing our domestic semiconductor and clean energy industries. The United States welcomes India's ambition to become a powerhouse in the areas of green hydrogen and other renewable technologies like solar.



More broadly, India and the United States are the world's largest democracies. We are living at a critical time for the cause of freedom around the world. Democracies require our constant attention and nurturing. It is important for all democracies to renew our commitment to civil liberties and human rights, including for all our minorities, at home and abroad. And we must continue to cultivate the economic vitality that is tied to our democratic traditions. That's an open, inclusive, and competitive economy where new ideas can grow and thrive, with the stability and reliability accorded by adherence to the rule of law.

In the Indo-Pacific region, our shared objective is to advance prosperity and maintain peace and security. India and the United States remain committed to upholding the rules-based international order. We are working with our allies and partners to tackle global challenges through the Quad and the Indo-Pacific Economic Framework. The United States' leadership in establishing IPEF demonstrates our commitment to the region. Together, the 14 members of IPEF constitute 40 percent of the world's GDP. We are writing new rules for the 21st-century economy, in areas from climate to anti-corruption to supply chain resilience.

## **B. Our Approach to Friendshoring**

This brings me to my next point. The United States and India share an interest in strengthening our supply chains in a world where certain governments wield trade as a geopolitical weapon. Let me explain an approach that the United States is taking to minimize supply chain vulnerabilities. It's called "friendshoring."

Let's begin with the basics. The United States believes in economic integration. Trade can drive growth and bring significant economic benefits to all countries involved. Exports enable countries to expand production and provide good-paying jobs in industries where they have a comparative advantage. Imports provide consumers and businesses with cheaper goods and a broader array of choices. Trade also facilitates the cross-pollination of ideas that is vital to discovery and innovation.

We must vigorously promote our global economic integration and continue to reap its benefits. As we do so, I believe that we must also account for the probability of disruptions to trade. Recent disruptions have contributed to higher prices in both of our countries and sapped economic output. For too long, countries around the world have been overly dependent on risky countries or a single source for critical inputs.



Take Russian energy exports. Russia has long presented itself as a reliable energy partner. But for the better part of this year, Putin has weaponized Russia's natural gas supply against the people of Europe. It's an example of how malicious actors can use their market positions to try to gain geopolitical leverage or disrupt trade for their own gain.

The United States is pursuing an approach called "friendshoring" to diversify away from countries that present geopolitical and security risks to our supply chain. To do so, we are proactively deepening economic integration with trusted trading partners like India. Our strategy will also create redundancies in our supply chain to mitigate over-concentration risks. And we are also addressing our reliance on manufacturers whose approaches clash with our human rights values.

To be very clear, friendshoring is not limited to an exclusive club of countries. We seek integration with the large group of countries that we can count on – developing countries and advanced economies alike. In fact, part of our "friendshoring" approach involves partnering with developing countries to grow local industries and connect them to the global supply chain. For example, our development finance institution is providing America's largest solar manufacturer with up to \$500 million in debt financing to build a facility in Tamil Nadu in India. This facility will boost India's solar manufacturing capacity. At the same time, it will help diversify supply chains away from China, which currently dominates over 80 percent of global solar panel production. Our investments are also consistent with our values: certain solar panel materials produced in China – like those from the Xinjiang region – are known to be produced with forced labor.

We are already seeing progress. New supply chains are developing across regions from Asia to the European Union. We are also seeing signs that Western firms are diversifying their supply chains beyond China. Technology companies like Amazon and Google are investing in India and Vietnam. Apple recently announced that it was shifting some iPhone manufacturing from China to India. The United States will continue to deepen our business and commercial ties with India as we pursue our friendshoring agenda.

## **INDIA'S G20 PRESIDENCY AND PROGRESS ON GLOBAL CHALLENGES**

Building a truly resilient world also requires multilateral action on pressing global challenges. We know these problems are urgent. And we know how reliant we are on each other. A virus



emerges in a city on one side of the world can spread into a pandemic. An unjustified land war in one region can worsen hunger and poverty for millions around the globe.

In three weeks, India will assume the helm of the G20 at an uncertain time for the global economy. We look forward to supporting India's G20 presidency. A successful Indian presidency is indispensable to our global economic recovery and sustained progress on our deepest problems.

Let me focus on four shared objectives: addressing debt distress, promoting climate action, evolving the multilateral development banks, and embracing and shaping our changing economy.

## **A. Debt Distress**

First, the G20 must do better to provide debt relief where necessary.

Even before the pandemic hit, debt levels were rising in many low- and middle-income countries. Today, nearly 60 percent of low-income countries are at high risk of or are in debt distress. This over-indebtedness poses a risk to stability and growth at a time when financial pressures are mounting. Without timely and orderly debt relief, we worry that many developing countries may face severe economic fallout.

India's G20 year is a chance to accelerate global coordination on debt restructuring. Two years ago, the G20 established the Common Framework to bring all the major bilateral creditors together to coordinate timely and orderly debt relief for low-income countries. But the Common Framework has not delivered on its promise, largely because of lack of cooperation from China. As a consequence, debtor countries in need are hesitant to request Common Framework treatment. This needs to change. All major bilateral creditors, including China, must cooperate constructively to deliver on their G20 commitment to provide meaningful debt relief. We must also improve the speed and predictability of the Common Framework itself.

Beyond low-income countries, middle-income countries in distress, such as Sri Lanka, will also need a process for receiving timely and orderly debt relief. We welcome India's leadership in this area, whether through an expansion of the Common Framework or another multilateral framework

## **B. Climate Crisis**



Second, we must accelerate action on climate.

As the world's second- and third-largest emitters, we have a shared interest and responsibility to reduce our greenhouse gas emissions. The United States is taking significant action. At home, we have enacted the Inflation Reduction Act. It's the most aggressive domestic climate action in our history. Our investment puts us on a strong path to meet our goal of reducing our emissions to at least half of 2005 levels by the end of this decade. It will also bring down the cost curves of clean energy technologies. This will have positive spillovers for the rest of the world.

Abroad, we are supporting the clean energy transition for developing countries, all while recognizing that energy access remains a challenge for many. We are working with countries to strengthen climate resilience for the most vulnerable communities. And we are facilitating a just transition for those most affected by the shift to a net-zero economy.

President Biden has committed to increasing U.S. international public climate financing to over \$11 billion by 2024. In partnership with India, the G7 is marshalling a broad mix of public, private, and philanthropic financing to expedite India's energy transition in line with its ambitious climate goals. We will also advance global climate coordination with India in our role as co-chair of the G20 working group on sustainable finance. A global challenge like climate cannot be solved by any one country. It requires all of us to work together.

### **C. Multilateral Development Bank Evolution**

Third, we must position our international institutions to more effectively tackle global challenges.

The world faces a growing array of increasingly complex and interlinked challenges that do not respect national boundaries. This includes climate change, pandemics, and fragility and conflict. Yet, our existing multilateral development finance architecture is currently unable to respond to these global challenges with the necessary speed and scale. Last month, ahead of the Annual Meetings, I called for an evolution of the development banks. I said that these institutions must devise new approaches to global challenges, while maintaining their existing focus on poverty reduction and the Sustainable Development Goals.

I am pleased that the World Bank has committed to developing a work program by the end of the year to strengthen its role and capacity to respond to evolving needs. As key World Bank shareholders, India and the United States are critical to guiding the institution through this



evolution. This effort serves as an important part of our overall strategy to mobilize against our global challenges.

## **D. Embracing and Shaping our Changing Economy**

Lastly, we need to embrace and shape our changing global economy. This is particularly true in the digital space.

The digital revolution has changed the face of communication and commerce in our countries over the past three decades. Today, the digital economy provides massive opportunity and continues to drive economic growth. This is particularly true in India, which has over 560 million Internet subscribers and 1.2 billion mobile phone subscribers. Rapid digital adoption has enabled India to achieve stunning success on its financial inclusion efforts. Nearly 500 million new bank accounts have been opened in India over the past eight years.

But the digital opportunities available to many Indians and Americans today are not readily available for much of the world. Around 3 billion citizens – more than a third of the world’s population – have never used the Internet. By extension, they are being entirely left out of the modern economy. Over the next five years, the G7 aims to mobilize \$600 billion through the Partnership for Global Infrastructure and Investment. It has identified digital infrastructure as a key priority alongside climate, health, and gender. The United States is ready to work with India and other partners to close the global digital gap. As we do so, it is equally important to combat threats to privacy and cybersecurity and attend to emerging problems like illicit finance.

It is also clear that economic integration in the 21st century requires a modern international payments system. Cross-border payments should be cheaper than they are today. They should also be faster, more transparent, and easier to access. The G20 has set out a roadmap for enhancing cross-border payments. We look forward to working with India to deliver on tangible outcomes. This includes reducing frictions to the flow of data. We also look forward to the G20 advancing financial inclusion efforts for the unbanked around the world.

## **CONCLUSION**

In sum, we live in difficult and complicated times. We face urgent problems that require concerted and collective action. The work of our two countries has never been more vital. I believe that no significant global issue can be solved without the cooperation of our two countries. Our partnership can shape the lives of millions around the world.



The U.S. and India are “natural allies,” in the words of a former Indian prime minister. We may be located across the world from each other, but what unites us is far greater than any of our differences. Our fights for independence were born of the same desire for freedom and dignity. And today, our democracies, while works in progress, are necessary bulwarks at a time of volatility and war.

I believe that this moment is an inflection point not only for the global economy but for the democratic idea itself. People around the world are looking to us and asking: can democracies meet the economic needs of their citizens? Can they stand up to bullies and cooperate on the most intractable global problems? Or are democracies too messy and complex – and turn inward when the going gets tough?

We have an opportunity to answer the skeptics. Democracy exhibits its greatest promise during turbulent times, when it serves not only as a system of governance but also as a reason for hope of collective progress. Our actions over the next year and beyond can demonstrate the capacity of our democracies to deliver for our people. I am confident that we will succeed.

Thank you.

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