

Center for Strategic and International Studies
TRANSCRIPT

“Press Call: Preview of Trump’s Visit to India”

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CSIS Headquarters, Washington, D.C.

FEATURING

SPEAKER:

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HOST:

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Caleb Diamond:

Good morning, all. This is Caleb with the external relations team here at CSIS. Thanks for joining us today for a call on Trump's upcoming visit to India next week.

First, I'd like to start off by introducing our speaker, Rick Rossow. He's the Wadhvani Chair in U.S.-India Policy Studies here at CSIS. First, he'll deliver brief remarks covering what he's watching for next week, including any trade and political developments, and the sort of future of U.S.-India relations. Then we'll open up for questions. You'll have an opportunity to ask more detailed questions for Rick. And we'll be sure and send over – send out a transcript once the call ends.

With that, I'll turn it over to Rick.

Richard M. Rossow:

Great. Thanks a lot.

Well, it's a fascinating time. I think we've heard for a couple of months now that the president was considering a trip to India, but knowing all the political fun activities happening here in Washington we weren't sure when he'd be able to wedge one in. And suddenly things went up into a frenzy the last couple of weeks.

Overall, a visit isn't terribly surprising. President Trump will be the fourth consecutive president to travel to India while in office. So, these things are becoming a bit more regular than they were 20 years ago when I first started working on U.S.-India relations. It's a fascinating time, I think, in where we are as a country in terms of U.S. engagement with India. I think the voices across the United States that are concerned about some of the divisive social issues that we have seen related to Kashmir, related to the Citizenship Amendment Act, have really been driving some of the high-level narrative from the Hill, from major media outlets, from other think tanks, and such.

But we've seen so far that the U.S. administration has largely kept to what it considered its broad mandate, pressing on commercial issues because of the interest in India as a major market, continuing to try to expand security cooperation with India. India is central to our new concept of the Indo – free and open Indo-Pacific security strategy. And what it means for the United States and India to deepen our security partnership. So, a lot of voices and concerns that you hear about where India's going and policies that we see in Modi's second term.

From our own office we follow, of course, India's economic reform process very closely. And there too, we've seen a real slowdown going back to about the mid-way point of Prime Minister Modi's first term on initiating significant new economic reforms. So, a slowdown in economic reforms, a slowing economy, some trade issues that have – that have caused some new grievances in U.S.-India relations, these divisive social issues.

And yet the relationship, as we saw just a couple of months ago with this important 2+2 ministerial that took place in Washington, we signed a number of significant new security agreements, looking to expand even our areas of people-to-people cooperation and on social matters, such as helping India deliver clean water to its population. So interesting times. But I think we have a pretty good assessment of where the president's head is at.

So major things that the administration would like to get out of it, first and foremost, a ton of attention and pressure put on whether or not we would be able to conclude some type of modest trade agreement. And I'm sure those of you that are following this closely realize we're not talking about a broad-brush free trade agreement that includes, you know, hundreds of sectors and bringing customs down to zero duty. Basically, the mini trade agreement that we're talking about right now is that both sides would agree to remove some of the recent trade impediments we put in place.

I think, you know, Prime Minister Modi – you have to go back to when he came into office six years ago. And you'll see that driven by India's major trade imbalance with the world, they've been imposing a lot of new trade barriers, increasing customs duties, instituting price controls, import substitution rules, and walking away from a number of pending trade agreements, including the major one with other Asian neighbors.

The United States, since President Trump came to office, certainly doesn't look at trade imbalances as something that is actually supportive of developing countries. Trade imbalances with key trading partners is something to be approached and fought on all fronts. And India, with its general approach to closing the door on trade, has been a major target. I think those that follow the U.S.-China trade fight don't really consider the India trade fight to be significant.

But those of us that are in the India lane, it's been a pretty big deal. The United States has revoked GSP benefits to India. India was hit pretty hard with the steel and aluminum tariffs that were applied globally. India issued a set of retaliatory tariffs against the United States. And again, these other areas we have seen of import substitution and tariff hikes, they really kind of triggered the level of trade tensions that we see today.

Now, I'm sure you've all seen, as much as we have, that neither side has announced yet that a trade agreement has been negotiated or settled. Will it happen by the time the president arrives? Well, I'm sure that with as much attention has been put on it they'd like to see some level of agreement done by the time the president gets there. I suspect that, ultimately, with this much high-level attention, you'll see something come out of this, even if it's language which notes that, you know, some T's have to be crossed at a later date, and some I's have to be dotted.

But I do think at this point with a head of state meeting, a trade agreement still seems fairly likely to happen. The United States is hoping that there will be an announcement of some other significant commercial issues coming up. We have a number of major defense platforms that we've been

looking to sell to India. We've been looking for India to purchase additional oil and gas. So I think the president goes in with a clear set of objectives, a broad-brush trade agreement to remove impediments, hoping to win agreements on sale of U.S. defense and hydrocarbons, but then also reiterating that the president will try to engage some of India's largest businesses and conglomerates when he's out there.

And India is becoming a much larger investor in the United States, and it's not just in IT services. You've got it in automobile manufacturing, tractor manufacturing, aluminum recycling, exploration of hydrocarbons, so looking to secure potential new investments from Indian conglomerates as well.

So a lot of things that are on the table there, and happy to take whatever questions that folks have on the current state of trade and what are some of the issues on the table; what's happening on U.S.-India defense and security relations and how the trip might be able to further that. And I'm sure there's going to be questions about the president's visit to Gujarat and this speech that he planned to deliver in front of over a hundred thousand at this cricket stadium.

So happy to open up the floor for any questions that folks have.

Operator: Thank you.

Looks like first with the line of Bhavan Jaipragas of the South China Morning Post. Your line is open.

Question: Hi, Rick. This is Bhavan. Thank you for doing this press briefing.

I just wanted to ask you, you know, this comment that – discussion about kind of confluence of interest in terms of concern about China between India and the U.S. So, during the meeting how likely, you know, is it that, you know, China will feature in the language that it use?

Richard M. Rossow: Well, you know, typically the two sides have avoided any language that specifically references China, but some of the issues they bring up, you know, when they talk about concerns about China's infrastructure programs and, you know, the debt concerns that have been laid for Sri Lanka and Maldives and others, both of us share major trade imbalances with China. And so, you know, frankly, when we talk about U.S.-China trade – or U.S.-India trade tensions, a lot of that is driven on both sides by the fact that we have major trade imbalances with the world. And for both of our countries, the negative trade imbalance is with China.

So you may not see the word China spread throughout any kind of joint statement or speech necessarily, but a lot of the areas that we're talking about, on free and open, you know, Pacific; about trade concerns, you know, behind the scenes you know that a lot of that is about our shared concerns about some of the more aggressive aspects we've seen about the rise of China. So, I don't suspect it will be brought up publicly that visibly; I think it

will be discussed behind the scenes for sure. And some of the areas on security cooperation and economic cooperation are done so certainly with China in mind. So, it drives a lot of what's happening, but a lot of times it's not so visible above the water; more so behind the scenes.

Operator: Thank you.

Our next question comes from the line of Isabelle Icso of Inside U.S. Trade. Your line is open.

Question: Hi, Rick. Thanks for doing the call.

Can you please elaborate further on what you think the likely components of a partial trade deal will be at this point? And do you think India's new data protection bill will be addressed as part of the potential deal? U.S. business groups seem pretty concerned about that.

Richard M. Rossow: Yeah. So, this is probably our favorite parlor game among those of us that are following India commercial relations as what may or may not be included. And again, you know, there's every chance of course that ultimately a deal will fall through and they can't come together for a package.

But, you know, both sides have talked about what some of the elements would likely include. You know, India, even going back over a year and a half ago, has outlined an initial draft of a formula for medical device price control, so instead of one flat price cap on medical devices, they can instead offer a formula by which different agents, during the whole process of producing and selling medical devices, can offer, you know, modest markups that would lead to the final price.

You know, I think having motorcycles – I mean, this is something that the U.S. president has focused on quite a bit, particularly referencing Harley-Davidson a number of times publicly, and India – you know, there isn't domestic production of that size of bikes, so a concession on heavy motorcycles seems pretty reasonable. And there's a number of areas in agriculture – some of the retaliatory tariffs that India adopted against U.S. ag products, some of the market closures that we've seen on dairy and poultry.

So, I think there's a modest package of things that India could put on the table that I don't think would hurt the government's domestic base so dramatically. You wouldn't see job losses and things related to that, because this isn't – aren't areas that India produces and manufactures locally to any meaningful extent.

On data localization, yeah, the protection – the personal-data-protection bill is very concerning to a wide range of U.S. businesses. You know, part of the issue that we're grappling with here is, you know, we're still – our two sides are negotiating on a set of issues that was really articulated going back two and a half years. And you've actually seen India take steps, and to some extent the United States, but certainly more so India. You've seen India take

steps on trade matters that have worsened the environment and, in some ways, still kind of digging the hole deeper.

The personal-data-protection bill, because that is in parliament right now, is under review by a committee, I think that it would be unlikely that the Modi government would try to put that on the table as something to negotiate when it's already in a separate legislative process. So, I'm sure it's going to be raised formally and informally during the discussions, but part of the trade package seems unlikely just because it's under review by parliamentary committee.

Similarly, just on February 1st of this year India released its Union Budget for the upcoming fiscal year that starts on April 1st. And over 60 product groups saw tariff hikes; again, still underneath WTO bound rates, so none of these would mean that India would open itself up for a challenge at the World Trade Organization. But when you talk about American companies and the grievances they've got on trade, when you see a double in customs duties in sectors like, you know, vacuum cleaners and cars and such in this year's budget, so that the hole, in terms of what we're negotiating, I think, continues to get deeper.

So, data, I don't think, will be. I do think areas like restoration of – at least partial restoration of GSP. I think India may be willing to give some space on medical-device price controls, some areas of agriculture market access, and maybe rolling back some of these retaliatory tariffs India put in place against the United States. This seems to me the package that, if they do come to fruition on a deal, are the most likely elements, I think, that would be included.

Operator: And our next question comes from the line of Anne Gearan of Washington Post. Your line is open.

Question: Hi. Thanks very much for doing the call.

I wondered if you could talk just a little bit about what you see as the kind of reception that President Trump is likely to get. Obviously when he travels overseas, there is often some trepidation over what he's going to say and do and whether he's going to blow up international meetings and so forth. Do you detect any similar concern or worry here? What concerns you about what he might say or do or effect on the relationship from his visit going forward? Thank you.

Richard M. Rossow: Well, I think that you correctly pointed out that you never exactly know what the president, if he's speaking off the cuff, may bring up. A number of times he's talked about trying to intervene in the Kashmir dispute. And that certainly is something that India wouldn't want to see on the public stage during his visit there. Other things that India is concerned about is a rapid withdrawal from Afghanistan. But I don't think, again, that's something likely to be announced on stage during the visit.

You know, we saw President Trump and Prime Minister Modi on stage together in Houston just a few months ago. And I think, from India's

vantage point, the whole thing was orchestrated and set up, you know, perfectly – a big show there; the two leaders clearly warming to each other, President Trump not trying to dominate the agenda for an event that was really for Prime Minister Modi to try to excite and engage the Indian-American diaspora.

So, I think at this kind of forum, the public stage, they've got a bit of experience and has went extremely well so far. So, my own – I just came back from spending four weeks in India. I visited eight different states, so about a third of India's total states. And, you know, by and large, I think the sentiment in India from people that I spoke with feel that the president has got, you know, a pretty good chance of reelection.

And what that basically means is, you know, in the last year of a presidential term, you know, are they going to treat President Trump like essentially a lame duck and maybe set expectations a bit lower in terms of what can be achieved, and, you know, will they already be looking past and sew up any deals post-election with whomever's there?

My sense is nobody's kind of treating this as, you know, a lame duck, even a partially, you know, endangered president, that they feel that he's got an excellent chance of being around for an additional four years. So, I think public stage they've had a pretty good track record. You haven't heard the president when he's up there with Prime Minister Modi saying things that would, you know, put people off. You know, President Trump has done that a number of times with India in other forums, but not the big public stages. So, I think the way that they're setting this meeting up, I think they're reducing as much as they can the chance that there's going to be some kind of diplomatic incident.

But that being said, you know, once the meetings are over and the president comes back here, you know, will he use that as an opportunity to talk about Kashmir again or something like that? It's always on the table. But they've got a pretty good track record in this kind of scenario of, you know, making sure that there hasn't been any kind of incidents that have blown up so far.

Operator: Next in queue we have the line of Seema Sirohi of Economic Times. Your line is open.

Question: Hi, Rick. I was just wondering, there are some people who are saying that the trade difficulties and all the disputes and the inability to come up with even a modest deal thus far could ultimately sort of begin to affect the security relationship with India. Do you agree with that?

Richard M. Rossow: I do. I think that the chances of – you know, of relative progress on defense and security and the problems that we see on trade, that those two kind of bleeding over, it is a fear that I've got, and probably more so up on Capitol Hill. There, you know, I think a year or two ago, when I go into engagements with key Hill staff and members themselves, they would talk about trade matters as a meritorious concern. A lot of members of Congress, the last person they would have heard, a constituent that would come in and talk to them about India, a lot of times would be an aggrieved

company that had seen the market closed down a little bit because of some of these trade barriers.

And I think when you compound that with the fact that on the Hill in particular there's even more concern about Citizenship Amendment Act and Kashmir – you know, the detainment of leaders and cutoff of communications – I do think on the Hill is probably the first place already – you know, you've got a member of Congress that's sitting on, you know, a defense committee as well as on foreign affairs, and they look at it broad brush. They look at the relationship in total and they see a lot of concerning elements on trade and on domestic social matters.

I think with the U.S. administration so far they have managed to maintain, you know, these clear-lined boundaries, work on areas that are going relatively well. And then – and frankly, ever since the trade talks really began to pick up steam about eight months ago you've actually seen a little bit less-aggressive tone by the United States.

I think that was also partially driven, Seema, by the fact that, as you know, during a large part of 2019 U.S. exports to India were actually increasing at a pretty hefty clip. So even though you've got all these new trade barriers and impediments, you actually saw the trade numbers were moving in the right direction. We were reducing the trade deficit and overall exports to India were increasing pretty dramatically. I oftentimes describe that a bit like defying gravity. I mean, India was doing tangible things that should limit U.S. exports, and yet at the same time U.S. exports for most of 2019 were increasing pretty dramatically.

But the last quarter of 2019, U.S. exports really began to slow. Overall in 2019 you saw our imports from India increase faster than exports to India. So I think even on the trade front – the one area that blunted, I think, some of – some of our worst concerns about, you know, erupting a real, full-scale trade war – the fact that exports were going relatively well, that's been diminished in recent months. So, I am concerned.

You know, trade, you do see more barriers. As a previous person had brought up, it's a personal data-protection bill, e-commerce regulations, increased customs duties. And then overall, I mean, a lot less work to try to engender investor enthusiasm – fewer positive FDI reforms of late, things like that.

So, I am very concerned about the bleed over, and I think we already see it to a larger extent on Capitol Hill. A little bit less in the administration, but we'll see how long they can kind of hold off those types of pressures. But it's a – it's a real concern of mine.

Operator: And next in queue we have Sriram Lakshman of The Hindu. Your line is open.

Question: Hi, Rick. Thanks for doing this call.

My question is about U.S. domestic politics. How is this visit – is this visit actually going to impact the vote among the Indian American community in any way that – in a significant manner? Have you been following that?

Richard M. Rossow:

Yeah. Yeah, I mean, I think that it will. I do think you've seen that, you know, particularly the BJP is very well organized here in the United States. So, I don't know what the numbers are in terms of followers of the BJP here, versus Congress, versus regional parties, but from my own experience the BJP is much better organized here in the United States. And if the Trump administration feels they can tap into that vein, as they did in the major engagement in Houston, as they're doing with the big rally and the bonhomie that they're trying to develop and rapport with Prime Minister Modi from the – from the Gujarat show.

You know, again I don't think any of us would consider the Indian-American diaspora to be the target market for winning an election, but if you're talking about, you know, an electorate here in the United States where barely over 50 percent of the people get out to vote, and generally I think the Indian-American voting community is 10 billion, a little bit more, towards Democrats. But if it's a – if it's a demographic that they feel they can take, you know, the numbers, it's somewhere between three and four million people living here in the United States. Relatively affluent, so their ability to contribute politically to campaigns, you know, is growing.

So, yeah, I wouldn't consider it, you know, my number-one tier market and demographic to go after in terms of election, but it's a sizable market and becoming more and more affluent and powerful over time. So I don't know that it is the primary, principal reason for a visit. Again, this is the fourth consecutive president to visit India. But I think if the president can go, do a public show, really kind of show that he, you know, is comfortable engaging with Prime Minister Modi, you know, despite, again, some of the concerns out there on social issues and trade issues, you know, politically I'm sure there's at least a modest dividend to be achieved on that.

Operator:

Looks like next we have the line of Niki Natarajan of Indo-Asian News Service. Your line is open.

Question:

Hi, Rick. This is Niki.

Given all the moving parts and couple of the answers you gave, the fact that Lighthizer has not made the advance trip yet, and the fact that the trade deal is still up in the air, what does success look like, even in a limited way?

Richard M. Rossow:

Well, I think that with trade agreement, you know, you've got so many different levels that they can hit on this. I mean, if we're talking about a full-scale trade agreement where India achieves, you know, full restoration of GSP, India would have to clearly give quite a bit in doing so. You know, the full slew of things that I brought up before in agriculture, market access, media device price controls, a number of other areas where India's been increasing customs duties in technology goods, many of which we thought were considered part of the original WTO information technology

agreement, but that India sort of disagrees and has been hiking customs duties in sectors that are supposed to attract zero customs duties.

So yeah, we know what the full standard – the full gold-standard trade agreement would look like. But I think basically for a program like this, as long as the two leaders have something to say that they came to agreement with, it could be, you know, simply that they announced that they got 80 percent of the way there and the two sides would get back together immediately and iron out – you know, cross some of the T's and dot some of the I's. They did that with one of the defense foundation agreements a few years ago, where it had a Cabinet-level engagement. This is when Secretary Carter was still defense secretary and Parrikar was India's defense minister.

And they announced that they concluded the agreement in principal, but that the two sides would iron out some of the details after the fact. As long as, I think, they get to that point, where they can announce that in principal the agreement's been done but that there's still some subtle negotiations to be done after the fact, I think they would happily get on stage and announce that as kind of a win and victory. I think a lot of companies would be scratching their heads and wondering whether or not their issues are included in such a package.

But at least at the leader level, announcing that they've got an in-principal agreement to remove some of the impediments, I know it's more – lacks some substance sometimes. But I think as long as they get to that level, where they're comfortable using that language and those words on stage, I think they'll look at that as a victory. I think at this point if there's still enough of a divide, you know, in this gold standard where full restoration of GSP seems to be pretty difficult to imagine, partial restoration – or, at least a general announcement about a new principal agreement on trade, that seems to me enough where they can claim victory, even if a lot of folks will be scratching their heads after the fact.

Question: Thank you.

Operator: Next we have the line of Steve Herman with Voice of America. Your line is open.

Question: Hi. Good morning. This has been a good call.

A question related to Pakistan actually. Imran Khan, when we were in Davos with the president, said that Trump had told him that he'd visit Pakistan soon. There's no indication that we're going to make a stop there on this trip, but how much of a setback is this for Imran Khan, to have Prime Minister Modi greeting President Trump like this in India? And will there be any sort of consolation prize that the Trump administration will offer to Pakistan?

Richard M. Rossow: I think, you know, from Imran Khan's view, it would be a setback, especially if there has been no at least private agreement that there would be, you know, a similar visit or maybe opening up the door for another engagement

directly with the president in a similar forum. But I think that from the U.S. lens and from the Indian lens, it's a little bit less medieval.

You know, I think the United States has worked pretty hard over the last 20 years to try to remove this hyphen, where we feel that we need to treat both basically as peers. I think we've been largely successful in that, although to some extent – you know, and I think this is partially India's own devices – they've done a pretty good job of reinserting the hyphen to some extent by some of these, you know, more contentious issues and by, you know, refocusing some of their chatter about the regional security environment a lot more Pakistan-heavy than it had been recently.

But I think – I think the hyphen, you know, from the U.S. viewpoint is largely that – from India's viewpoint on most days is step two. Although, you know, every little thing that we do for Pakistan gets kind of magnified because that's who India looks at as its most significant day-to-day rival. So I think if there's – if there is a visit, you know, the visit to India comes off, there is no complementary visit to Pakistan, there has been no side agreement on some other, you know, way to assuage concerns there, then, yeah, I think Pakistan will take it as a slight.

I think the United States will look at it as the normal course of doing business now. India will be quietly happy but, again, it's not the principal reason for overall the engagement there. So, three different lenses. And yeah, I agree with you. I think Pakistan will look at it as a slight if you see, you know, this done for India with nothing complementary done for Pakistan.

Operator: And next in queue looks like we do have a follow up from the line of Seema Sirohi of Economic Times. Your line is open.

Question: Hi, Rick.

This whole designation of India as a developed country recently by the Trump administration, that created a lot of anger in India because, you know, the figures just don't justify that, where the per capita income is so low. I mean, there is a lot of inequality in income, but to treat India that way and to deny those benefits, do you think that played a role in some of the difficulties they may have had in reaching an agreement?

Richard M. Rossow: I don't think that played a role in the agreement. I fully agree with what you stated. You know, as you know, a lot of our work is driven by the work we do with individual Indian states. And you know, you've got a few high-flying states where a small percentage of India's population is earning, you know, incomes that would be very comfortable in the United States and across the world, and then you've got massive states like Bihar and Uttar Pradesh where the per capita incomes are still well below \$1,000 per year. So you know, these regional variations that you've got, you know, to say that just because you've got this great group of elites that are, you know, doing international business and trade and earning on par with kind of their global peers, you know, that bumps up the per capita numbers, but a lot of the trade areas that we're talking about are areas that – you know, where

India's put up import barriers and such – you know, really do kind of impact folks that are outside that high-flying international global services trade.

So, I am a little bit concerned that we're sort of accelerating India's graduation to developed-country status. I know the – you know, the World Bank has got parameters. India, by its own per capita income numbers nationwide, is, you know, lower middle income now. So, I do understand this parameter is set and India's hit it. But also, you know, to your point, you do have such dramatic regional variations. And folks that are there in Bihar, really they don't experience much of what you would if you're living in this high-flying lifestyle in a place like Bangalore or Gurgaon.

I don't think that's been a principal driver of what we've seen on U.S.-India trade tensions and inability to get a deal. I think the United States for two years now has set out in stone pretty clearly the things that they wanted to see to try to get an agreement, and it's basically then on India's doorstep on whether they want to take those steps. You know, again, you know, pricing differences for medical devices and ag market access for dairy and poultry, things like that, I mean, I think the list of U.S. asks has been pretty static all throughout. Not to say that any of these things are easy for India to do, but the United States to my knowledge didn't change the goalposts just because we now consider India to be, you know, a middle-income country. The things that we wanted to see happen to get this trade agreement have been pretty static all throughout, no matter how difficult they are.

So, I think it adds complexity for trade talks going forward. I think it's got less impact on, you know, what we've seen for trade negotiations so far, because most of the parameters have been set, you know, going back a couple of years now. But going forward, I do think this is going to continue to paint how we approach because, you know, going back over a decade ago, the United States actually stripped out at that point the significant part of India's GSP benefits, which was the gems and jewelry. And part of the argument there was because India had other trade barriers at that time, but part of the argument up on Capitol Hill in a lot of my engagement was because India was hitting middle-income status. So, you've already seen this in other trade talks with India, where the middle-income question, you know, was seen as kind of a reason to slow down.

So, this particular deal, middle income I don't think has an impact. But going forward, yeah, I suspect you're right, it'll continue to pop up once in a while.

Operator:

At this time, we actually have no further questions queued by phone.

Caleb Diamond:

Great. Well, thanks, all, for joining us today. If there are no further questions, I think we'll end it – end the call here. And we'll be sure to send out a transcript. Thanks again for joining us.

Richard M. Rossow:

Thanks, all. Appreciate it.