Center for Strategic and International Studies

CSIS Press Conference Call: Prime Minister Modi’s Visit to the U.S.

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COLM QUINN: Hi there, guys. Thanks for joining the call. I'm Colm Quinn, I'm the deputy director for strategic communications here at CSIS. I'll just be here moderating today. And I don't want to take too much more of your time, just introduce Rick Rossow who's going to be talking to you today and answering your questions. He’s the Wadhwaní chair in U.S.-India policy studies here. He’s going to give a brief introduction about the trip and what it’s going to entail. And we have the full hour, so hopefully have a lot of time for your questions once he’s done.

I’m going to hand over right now to Rick.

RICHARD ROSSOW: Great. Thanks, Colm.

It’s great to have everybody on the line here. You know, we just marked the two-year anniversary of Prime Minister Modi’s assumption of power as prime minister of India following the landmark election in 2014.

And you know, I’d say overall on U.S.-India relations since Modi stepped into the big chair in New Delhi, we’ve really kind of seen, I think, a bit of wind at the sails, both on security and on economic relations.

It’s almost difficult to remember, but just in late 2013, I think the relationship had really entered a spiral straight down because of some trade concerns, because of the lack of progress on new, I think, trade liberalization in India, the arrest of an Indian diplomat up in New York, I mean, that was just less than three years ago, and things have really kind of taken off since then, probably a little bit more so, I think, on the security front than on the economic front.

On U.S.-India security ties, we’ve had some very notable, I think, landmark agreements since Modi came into office, last year in particular with the release in January of 2015 of the joint strategic vision for the Asia Pacific and Indian Ocean region that was released when President Obama visited India in January, but also with the renewal of the defense framework agreement and a number of other important defense agreements, new types of exercises and things.

I think the economic relationship, you’d probably describe it as somewhat mixed. You’ve got good numbers. India is the fastest-growing, large economy in the world now, foreign direct investment in India is picking up, well over 20 percent year-on-year growth. And India is expected to be the biggest destination for foreign investment of any emerging market this year.

But at the same time, I think the sentiments lag somewhat. People had expected even more, deeper reforms by this point in the Modi administration based on his track record as an economic leader during his days as chief minister in the state of Gujarat.

Also, we haven’t really seen India adopt more of a forward-leaning position on trade matters. So India remains really the United States’ chief opponent on WTO talks. They’re not part of the same plurilateral trade agreements that the United States is a part of.
And I’d even say that if you look at U.S.-India direct relations, eight years ago we announced our intention to initiate bilateral investment treaty negotiations. And today I think you could characterize it by saying we’re actually further apart than the day we announced our intention to begin negotiations, because both sides have amended our model somewhat and we haven’t yet begun the exercise of exchanging texts and such. So the starting point has actually moved a bit further away than when we first announced our intentions for an investment treaty.

So we’ve got progress, I think, on both fronts, but I think the sentiments, for some valid reasons I just laid out, lag a bit behind on the economic front.

So with all this, we’ve got the fourth meeting between President Obama and Prime Minister in a little over a year. And I think as we look ahead to this visit, probably if you look at those two buckets, security relations and economic relations, you’d be a bit less likely to see major announcements on the security front only because just a month-and-a-half ago Defense Secretary Carter traveled to India and you had a series of other important announcements during that visit.

So to try to reload up a whole bunch of other significant announcements in such a short period of time can be very difficult. So you may see some, I think, finalization of some things that were first raised then, some smaller announcements on security, but probably very little that’s going to be, I think, landmark and extremely significant.

On the economic side, we still have, I think, a huge gap on our approaches to broad, global, economic issues, trade in particular. So it’s very difficult to imagine something, one single summit bridging that gap. So you know, I think as you look at it for the visit, we’re hoping that they’ll come to agreement on a defense logistics agreement that was announced during Secretary Carter’s trip that we had in-principle agreement, some hope that we’ll get progress on nuclear power cooperation and energy and environment, wildlife conservation has been brought up.

So there’s a few things that are on the dock for this visit. But I think as you look at it from the big picture, this is probably the last summit that you’re going to have where there’s actually going to be time to fulfill commitments that are made. So it’s significant in that sense.

There’s still, you know, other summits, less-than-leader-level summits that’ll take place before the end of the Obama administration. Most notably we expect the strategic and commercial dialogue, which is led by Secretary of State Kerry and Secretary of Commerce Pritzker, should take place late this summer. But this will be the last summit where you’ve really got a bit of running room left to try to carry out commitments and fulfill agreements that are made. So it’s very significant for that – for that reason.

The other reason that it’s significant, of course, is the joint – address to the joint session of Congress. Modi is far from the first prime minister – in fact, his recent predecessors have done the same – but the fact that Congress really initiated the move that led to the revocation of Prime Minister Modi’s visa when he was a state-level leader in India, the fact that he’s been
invited to make the address to the joint session, while the substance of the speech may not be terribly significant, the idea that he’s been invited and will do that is significant unto itself.

So that’s kind of some high level what I think the state of the relationship is. Very good movement on security. You see some pretty good numbers on the econ side, but sentiments tend to lag somewhat, and the expectations for announcements during the visit.

So from there, Colm, we can open it up if you want. I’m happy to take questions and cover topics that people find of interest as we head up into the visit.

OPERATOR: Thank you.

(Gives queuing instructions.)

One moment, please.

(Pause.)

And we do have a question from Angela Keane of Bloomberg News. Please go ahead. One moment, please. Your line is open now.

Q: Ready, thanks. Angela Greiling Keane with Bloomberg. Thanks for doing the call.

Can you talk about how much China and Russia will be at the table – metaphorically, obviously? There’s push and pull between the U.S. and those countries with India currently and historically. So how much will the bigger geopolitical questions involving those countries be part of the talks next week?

MR. ROSSOW: Yeah, well, I think – I think, you know, China and hoping to strengthen India to be another pole of power across Asia is definitely a reason that – strategically that, you know, a lot of folks in the administration want to engage India so substantively. So I think China’s very much at the table, and agreements that you see there, you know, to empower India to exert its own power and influence in the region. And also, you know, just in general for regional security across Asia, you know, a stronger India with an aligned value system with the United States, we’re hoping that they’ll take on more of a regional security role.

Nothing very specific. I mean, to try to pull India into our ongoing debate over militarization of the South China Sea, things like that, may be a bit too far for India to make, like, direct commitments. But China will definitely be in the back and front of minds in terms of what we put on the table for security-related discussions.

Russia, a lot less so. You know, I think that, so far, you look at some of the relationships that India has been able to maintain – Iran for many years now, Russia – those ones where, you know, I think that if – you know, the United States certainly would not like to see large countries – engaging with these countries as substantively as India has over time. But the fact that India has been engaging with the United States so strongly on security issues recently, I don’t think
that we’ve been putting pressure on them to kind of avoid continuing and strengthening relations with countries like Russia. So, with the invasion of Crimea and things like that, you know, of course, we’d all love for India to take a harder position on that. But we haven’t tried to make that a centerpiece of our relationship.

So I think definitely China’s on the mind, Russia far less so. You know, India (sic) has a longstanding relationship as a defense supplier to India, in a lot of ways still the primary defense supplier. So, you know, in that sense, it’ll be something that we consider as we try to become more of a regular defense supplier to India. But in terms of strategic and trying to get – take India and make a break from its relationship with Russia, I don’t think that’s part of the consideration from the United States side. So China, yes. Russia, infinitesimally, if at all.

OPERATOR: Next question is from the line of Doug Palmer, Politico. Please go ahead.

Q: Hi. Thanks for doing this call.

I just wanted to go and talk about – ask about the Bilateral Investment Treaty. I know that India did rule out its model BIT earlier this year, and I just wondered, I mean, you are sort of suggesting that things have gone backwards. Is the model BIT incompatible with what the – what the U.S. idea of a model of a BIT agreement is? And I mean, are you – do you expect anything to come out of that, out of the meeting this week? I mean, the ambassador said that there, you know, could be discussion on it, and even if they’re – and that they’re currently talking about when and if to, you know, launch talks again on the Bilateral Investment Treaty. I just wondered if you think the time is right during this summit meeting for there to be progress.

MR. ROSSOW: Well, yeah, so, as I mentioned, since we first announced our intention to negotiate a treaty at the closing months of the Bush administration, since that time, the United States first undertook a review of its model treaty. For those of you that followed the evolution of the U.S. model treaty, you know, it took a couple of years. Ultimately, the final product wasn’t that very different from the model treaty that existed before. They brushed up the language in a couple of areas, but it wasn’t that much of a change.

So I think if you look at how much – I mean, our opening positions eight years ago were still some distance apart. India more or less adhered to the OECD model treaty, which most countries do, whereas the United States has a model that we’ve developed which – you know, our section on definitions alone is almost as long as the OECD model treaty. So, you know, the United States was really the kind of first to break from the model.

So the models were always, you know, some distance apart. The United States took a couple of inches – it wasn’t very dramatic, but a couple of inches’ step away from the existing model and further away from the OECD template. India’s revised model they came out with at the end of December, though, I think you’d say it was probably a couple of steps away from the OECD model and further away from the U.S. model.

Areas in particular, it now takes at least five years before an aggrieved party can initiate arbitration against the government of India if they feel that their investment’s been impaired by
government action. They’ve also removed the most favored nation clause. Typically, you know, these treaties tend to have a most favored nation clause to it. If India would then sign a treaty that has better provisions, the United States would be able to take advantage of that if we had MFN, but India has removed MFN altogether from its – from its model treaty. There are some other areas, too, that – you know, it takes it a bit away. But those are the two that struck me: MFN removal and the long time it takes – five years – to initiate arbitration. The United States and OECD models are both six months, so that’s a substantial increase in the time to initiate arbitration.

There are a couple of ears where India’s model revisions bring it a little bit closer to the United States. They do talk about having a notice-and-comment period for new regulations and that kind of thing. And also, it talks about investors must adhere to national laws, which really is essentially the crux of the situation for the U.S. provisions on labor and environmental in our model treaty. So there’s a couple of areas in India’s new model that I think it comes a little bit closer to the U.S. model as well. But by and large, you know, it’s a bit further apart.

What can you expect from this visit? Well, I mean, the leaders will get together. They may include in the joint statement at the end that they want their negotiators to get together and begin negotiations again in earnest. But it won’t be the first time they have announced that. You know, last year the same thing was announced, and you didn’t really see too much progress since then. So at a leaders-level summit they can re-announce, but ultimately we’ve got a very short time frame before the end of the Obama administration. So I think treaty talks, no matter how well-intentioned the two sides are, the real bulk of the negotiations won’t transpire until we have a new team over at the Office of the U.S. Trade Representative.

So that’s kind of the status of the revisions of the model that took us a bit further apart than we were. The models were always far apart, so I don’t know that this is a deal breaker per se. But just not much time left, I think, to make progress. So you may see a statement, well-intentioned. India already committed to – in a joint statement with the United States last year that they would have a high-standards investment treaty, which carries a lot of meaning and significance for the United States side. But probably it’s unlikely you’re going to see a ton of progress on it before the end of the administration. So most of the real decisions on bridging the gaps are going to rely with the next administration in the United States.

Q: OK, thanks. Thanks a lot.

MR. ROSSOW: Yeah.

Q: One other question I had is that I know that India would like to join APEC. Is there anything that the U.S. could do or Obama could do to make that a reality before – you know, before the end of the administration? Or is that – is that a longer-term process for them to become a member of APEC?

MR. ROSSOW: Well, I mean, the official moratorium on new members into APEC has expired. So, you know, technically, there is no bar against new countries entering. India isn’t the first to come up and say in a pretty aggressive manner that they wanted to join.
So would we – would we support putting India to the front of the queue? That’s something I know that India is definitely pushing. Right now I’m sure there’s people across Washington and in Delhi that are trying to find language for a joint statement that would accommodate India’s desire to be viewed as a – you know, an early entry.

But I’ll say this. I mean, there’s a lot of camps in the United States that oppose India’s inclusion in APEC, for a few different reasons. Again, one, India tends to be at the opposite side of the United States on any kind of trade negotiation that takes place right now. APEC membership, you know, it doesn’t really force India to take a lot of decisions. Most of what APEC does is drafting model regulations for its members to adopt, so it’s not like they would have to – it’s not like joining a free-trade agreement. But at the same time, the United States has articulated in the past our hope and desire that ultimately APEC will transform into a free-trade agreement of the Asia-Pacific, FTAAP. If that takes place, the idea about having India at the table when they’ve been very difficult to work with in the WTO – and even RCEP members recently have been pointing at India as one of the reasons that RCEP talks are moving relatively slowly. So I think having India in that club, people look at it and say that would slow down discussions, maybe today on model regulations, but certainly in the future if it moves to an FTA. And I’ll say even folks that are strongly supportive of a stronger U.S.-India relationship have some concern about India’s entrance in APEC because that’ll be just one more battleground, potentially.

So I think ultimately, before you’re going to see a more full-throated U.S. voice supporting India’s membership in APEC, people want to see India willing to accommodate substantive changes in some of the market-access restrictions that they have today before I think you’ll see a wider group starting to stand up and applaud India’s membership. You may see – I think we went as far last year in this Joint Strategic Vision on the Asia-Pacific and Indian Ocean Region, the United States went so far as to say we support India’s interest in membership, but not quite as far as what Japan has done last year in their joint statement, where they actually openly supported India’s membership.

So it’s under debate right now. I think people that are willing to listen to India’s interest, they want to see that there is a strong commitment, that they will adopt international standards, and come closer in conformity with what APEC members have already in terms of tariffs and regulations and that kind of thing. So it’s a heated debate in Washington. Even though it does support the relationship, I worry that it could create one more battleground. So it’s not an easy decision to support that. Certainly the opponents of a deeper relationship with India, you know, for them it’s an easy choice saying they don’t want them in. But even some supporters question, you know, the value of having them in there because it could create more consternation than benefit.

So we’ll wait and see if they can come to some kind of accommodation where the United States would offer stronger support for India’s inclusion, and actually supporting India to jump the queue and become one of the early countries to be considered there. So, you know, great issue, and we’ll see what ultimately they’re able to cobble out before the conclusion of the visit next week.
Q: Thank you.

MR. ROSSOW: Yep.

OPERATOR: OK. The next question is from the line of Emily Meredith, Energy Intelligence. Please go ahead.

Q: Hi. Thanks for doing this.

I was wondering if you could just put this visit in the context of the administration’s broader, you know, pivot to Asia. And then, secondly, if you could talk about sort of how high you expect climate and energy issues to be on the agenda.

MR. ROSSOW: Sure. So the pivot to Asia – so I’ve got a(n) interesting take on that. You know, looking back at – and when we talk about the pivot, I’m really talking about the United States’ articulation that there was a pivot. I mean, for a – for a long time now, you know, we’ve placed increasing importance on engaging Asia. So even before we announced it, you know, you saw a lot more visits to China, the launch of the S&ED, things like that.

But, you know, our pivot to India really kind of preceded the articulation of the U.S. pivot to Asia. President George W. Bush, he really placed great importance on dramatically deepening the partnership with India, I think highlighted most significantly in 2005 when the United States and India first announced their intention during Prime Minister Singh’s visit to Washington to initiate civilian nuclear technology trade. And we saw, you know, a stronger defense partnership framework agreement released that year. You saw the first significant U.S. defense sales to India. So I think we actually in some ways pivoted to India even before we began a broader pivot to Asia.

But since that time, it’s mostly been out of step. About the time that you saw the articulation under the Obama administration of a very specific goal of pivoting to Asia, of strengthening our forces, of the role of TPP in that mix, that was about the time that we lost a major defense deal for fighter aircraft, about the same time that India’s parliament passed a nuclear liability law that essentially precluded U.S. nuclear trade with India. And so, in some sense, at the same time we articulated the pivot to Asia, we were pivoting away from India because we felt that the Manmohan Singh government was not capable of fulfilling commitments that they’d made on security partnership.

And now, you know, I think you’ve got a bit – for the first time in a while, you’ve actually got conformity again of, you know, our desire to deepen our relationships across Asia, and at the same time deepening our relationship with India. So for the first time, you really kind of see India – I still think, in a very practical sense, when people talk the pivot to Asia, very few people envision India as part of that, necessarily. You know, we’ve got such deeper relationships with Australia, with Japan, with Singapore, with Korea. The things that we’re talking about with India right now – you know, we’re doing some exercises; we’ve got a few defense sales; we worked, you know, collaboratively, I think to some extent, in the Nepal
earthquake disaster – but the level of things that we actually do together, particularly operational, is still relatively light compared to some of our other Asian partners.

So I think for the first time in a while we’re actually on track with India. I think that it is definitely, you know, part of the pivot to Asia. But very few people really kind of picture India as a – as a piece of that. So I think it’s – I think it’s in line. I think it’s moving relatively well right now. But the level of engagement still is light compared to some of our other Asian partners.

The second question that you asked was on energy, climate, things like that. It certainly is going to be part of any major summit that the United States and India have. My understanding is that you may see some additional announcements coming from that. There was a small MOU that was signed in Delhi just a couple of days ago on finding additional sources of U.S. assistance for India to meet environmental and climate goals. There’s also been some discussion within the administration about trying to engage India’s subnational leaders directly, which I think is very critical. The power grids in India, for instance, are actually run almost completely by Indian state-level leaders, and Modi’s ability to influence state-level leaders is quite limited. By the constitution of India, the power grids are actually run by states. And Modi’s party, the Bharatiya Janata Party, only runs nine of India’s 29 states. So even if you think that he as the – as the leader of the party can perhaps push a little bit more effectively the states that his party is in control, that doesn’t take you very far across the country.

So definitely energy/climate will be part of the discussions there. And on this visit – or certainly, I think, for the Strategic and Commercial Dialogue later in the year – you may see an additional focus on engaging subnational leaders in India, and trying to work with them directly to help them meet clean-energy goals, and trying to prompt and provoke and offer U.S. assistance thereunder. So it’ll certainly be a centerpiece.

OPERATOR: OK. Next question is from the line of Ken Rapoza, Forbes. Please go ahead.

Q: Hi. You can hear me OK?

MR. ROSSOW: Yeah.

Q: OK. My question was about the nuclear power plant deal with Westinghouse. Can you update on that? Is there any change? And is it a deal with Westinghouse for sure, or is Rosatom actually at the table as well as a possible option instead of the Americans? Well, Japanese, really. But what do you know about that?

MR. ROSSOW: (Chuckles.) Yeah. As far as I know, the Westinghouse deal is not sewn up and buttoned up completely. You’ve got public statements from the CEO of Westinghouse in recent months, I think stating that they believe the insurance product that India is creating, which is sort of the workaround the liability law, is coming together fairly well. You had an announcement the other day in the Indian press that the first international supplier has bought into the insurance product as a way to preclude itself against the kind of risks you might have.
At this moment, though, I don’t know that there is any clarity that Westinghouse is ready to formally sign a project agreement.

There’s been some speculation that there’s been a change in the site that Westinghouse would be – would be afforded, which is I think a positive indicator that negotiations are proceeding pretty rapidly underneath the – underneath the water. So as of right now, I think you’ve got probably even a bit above a 50/50 chance that you’re going to see a substantive announcement related to Westinghouse.

I think, you know, the idea about the sites that are given to the Americans versus the Russians versus the French, you know, there is – there is scope for, I think, all of them to develop. Maybe at some point, you know, depending on how large this insurance product and the corpus that underfunds it is, there may be some limitations later on to the total number of commitments India could undertake for nuclear suppliers. But as of right now, you know, every sign that I’m hearing is the two sides are engaged in feverish talks to try to make sure that they’ve got something substantive to announce next week.

So it’s not done till it’s done, but that’s on the short list for what I think people are hoping to be major announcements for the visit. So that’s, I think, the closest we can come right now. But things are looking fairly good by what we’ve heard publicly and some things I’ve heard privately.

Q: OK, great. Thank you.

MR. ROSSOW: Yeah.

OPERATOR: (Gives queuing instructions.)

And we do have a follow-up from Doug Palmer, Politico. Please go ahead.

Q: Hi. Thanks again.

MR. ROSSOW: Yeah, I haven’t heard Ex-Im Bank and that being an obstacle to this.

MR. ROSSOW: Yeah, I havent heard Ex-Im Bank and that being an obstacle to this. Really the only issue in the conversation that I’ve been involved in is, you know, this hard work that’s being done in India to really cobble together this nuclear liability product, and then various—you know, I mean, it’s obviously a very complex insurance product. It’s not like buying home insurance. How close is the nuclear power plant to centers of population? How large is it? How much could it grow? Things like that. So getting that off the ground, the pricing model, and seeing whether or not the pricing model, you know, actually affords for a
viable rate when the electricity is produced, that’s what I’ve heard is the primary focus. So the Ex-Im, it could be it just hasn’t crossed my radar screen.

Q: All right. Thanks a lot.

MR. ROSSOW: Yeah.

OPERATOR: OK, at this time we have no further questions in queue.

MR. ROSSOW: Well, I’ll just mention, I mean, a couple of other things. I think if you look at what India really kind of hopes to flow from this trip, there’s a few things that I’ll mention. I mean, they’ve actually been a lot more vocal and pressed a bit harder than we’ve seen in the past on trying to change American support for Pakistan. And the fact that, again, our security relationship with India has grown quite a bit deeper in recent times, it gives them a much louder voice in doing so. So maybe on a speech on the Hill, maybe some just privately in the meetings that they placed, I think that U.S. continued support for Pakistan, and concerns in India that that fuels Pakistan’s ability to enact a terror act in India, will certainly be on their minds.

India would like to have stronger assurances from the United States that we’ll help shepherd India into global nonproliferation regimes, and especially as we face down a Nuclear Suppliers Group meeting that will take place not long after Modi’s visit to the United States. Also, the time that Modi’s going to spend on the Hill, I mean, I mention the significance more in terms of the background of the visa revocation.

But you know, an increasing number of India’s concerns with the United States, policy concerns, actually would necessitate Hill leadership, which is increasing the number of technology worker visas that the United States allows, reducing some of the fees that have recently been increased on those technology worker visas, a totalization agreement, technology transfer issues, which the Hill’s been involved in. So you know, I think Prime Minister Modi will come here with a pretty robust agenda compared to some of his predecessors in terms of things that he actually wants to see out of this. So just thought I’d mention a bit about what is probably on Prime Minister Modi’s mind as he approaches the United States.

OPERATOR: OK. We do have a question on the line of Jay Singh (ph), Indian-American Time (sp). Please go ahead.

Q: Hi. Thanks for doing this. I’ve been listening, and it’s very interesting, your perspective. But as you must have seen the reports that the Indian ambassador, Mr. Singh, has called it a visit for consolidation and deliberation. And you must have read, I know, the statement from the White House press secretary a few days ago, and calling it—you know, there was no agenda. So are the three top things you feel that Modi’s visit is being justified for?

MR. ROSSOW: Well, I think, you know, again, if we can come to agreement on getting the first U.S. nuclear supplies to India, that really is kind of crossing the T on something that obviously was an issue during the Bush administration. Initially, you know, President Obama tried to carry it forward and then we had the one big hiccup with the liability law passage. So I
think a Westinghouse project agreement, that would be hugely significant in terms of giving U.S. confidence that India can fulfill commitments that we felt, you know, had been made before.

India desperately wants stronger U.S. support to try to shepherd it through the nonproliferation agreements. And so I think, coming back, another opportunity to press on that. Particularly the head, as I mentioned, of the Nuclear Suppliers Group is going to be critical. But also, you know, again, thinking about the time spent on Capitol Hill, if you look at the areas in the United States, you know, that I think have been most antagonistic on the relationship with India, on trade issues, on human rights issues and other things in the last year or two, the Hill would certainly be the first place that you point to.

So spending time on the Hill – because it’s not just the joint session, as you know. It’ll be spending private time with Hill leaders, meeting with committees, and that kind of thing. So it is an opportunity to try to change perceptions up on the Hill, which has been the group, I think, that has been most active pressing against – or at least, raising concerns about Indian policies across the range of fronts is going to be very important and significant. So those are a few things.

You know, I think we’re also hoping, if you want something a bit more pointed, that we actually come to a final agreement on this Logistics Exchange Memorandum of Agreement. This was announced during Carter’s trip to India in April. This essentially allows our militaries to operate more effectively together, for instance when we’re doing exercises or humanitarian relief, and things like that. You know, they announced a new principle agreement when Carter was out there in April. The government announced they expected that within a month or so they should have the final details ready.

My sense is it may be a bit further apart than that, but, you know, again, it’s an action-forcing event with the prime minister coming to Washington. So if there’s any ability to get this agreement done in a short period of time, these are the kind of things that initiate the kind of attention. So, you know, hopefully you get some progress on nuclear. With luck, although I’m a little bit less optimistic, you’ll get the Logistics Exchange Memorandum ready to go. Modi needs to reduce antagonism on the Hill. And so spending that much time there, I think, is going to be very important for his interests.

So these are a few things that I got in mind that, I think, you know, you sort of hope to accomplish out of the visit. I don’t know if that’s specific enough for you, but I’m happy to take any follow-ups you might have.

Q: Yeah, as we go back into the history of – since India’s independence, India never had any enmity or, you know, kind of negative feelings for the U.S. But when you remember 1971 war, the U.S. Seventh Fleet moved into the Indian Ocean, and that was on behalf of Pakistan. And the India psyche – if you go down there, I know you’ve been there several times, you know – you understand India. In case of an emergency, in case of a war, do you still – do you believe now that the Indians can trust the U.S., or they are still in the Russian fold? That’s one thing. Which is it? Or, is it just more of a commercial economic relationship? Because from ’71, when U.S. was supporting Pakistan, and today, it seems the U.S. wants India
against China. But on the – but Pakistan is also – you know, it’s not letting go of Pakistan. It’s not letting, you know, the – it’s a geopolitical equation there. How it is evolving, in your point of view?

MR. ROSSOW: Yeah. Well, great – I mean, the big question there, right? The United States engagement with Pakistan is clearly not – it may have been to some extent in times past, I mean that’s debatable – but it’s clearly not a hedge against India. But Afghanistan’s future in so many ways – you know, Pakistan – whether we like to admit it or not – Pakistan’s role in making sure that there’s a stable future in Afghanistan is critical. And they certainly haven’t been, I think, our best friend and ally in trying to help that from the past. But there is no future for Afghanistan that doesn’t have Pakistan’s support. So our continued engagement – you know, that’s one of the reasons that we do so.

Our relationship with India is based on a completely different grounds. I mean, the line of control between India and Pakistan for the United States is a very bright line. We don’t try to bridge that gap. I mean, we hope for peace in South Asia, but beyond that – so, you know, as you mentioned. And it’s not about strengthening India versus China, per se, but it’s about strengthening India as another pole of power across Asia. You know, we think that having, you know, multiple sources of strength and economic stability and military power, especially one like India that we feel is so strongly aligned in a lot of ways, is definitely in our interests.

So I think our commitment under this administration is quite deep. Another question that comes up, you know, often times is President Obama’s ability to carry out things already spent? Is it too late to have substantive commitments and move on new things? I’ll just say that I think that as long as we have this group of key officials in place in the United States, and particularly Defense Secretary Carter and Commerce Secretary Penny Pritzker, you know, both have shown a real aggressive interest in redefining out relationship in a good way with India. I think as long as you have these folks in place, and they have their head in the right place for why we need to engage India for a long-term relationship, then I think you’re always going to have an opportunity to see additional progress.

But as you get closer to the end of the administration, different folks feel that it’s time to move on to different things before they’re the last ones that are – to turn off the lights, you know. So I think as long as you’ve got these strong proponents of the relationship that really have a long-term vision, we’re in a pretty good place. But as people start leaving the administration, particularly those that have been champions of the relationship, you know, that’s when you’ll find a more difficult time, I think, seeing new commitments and really kind of maintaining this good trajectory here.

Q: Yeah, but the one thing that we are hearing a lot, and that is even one of the governors of one of the states has said that – commented about the corruption. How much you want to do a business, you know, in India for even thousand dollars you need to spend, you know, maybe $1,100. And then at one of these conference calls was by CSIS with the two former secretaries of defense, in which on one of my questions they said that why India, you know, the U.S. will hesitate to India into TPP or the other, because of the opening its economy or implementing
those reforms. So those – implementing of those reforms cannot happen by traveling abroad. They have to happen by staying in and working on them. That’s one point that people point out.

And the second one is, just your opinion, your first point was about the nuclear deal. On a scale of 1 to 10 or – you know, how sure you are that this will happen? Because most of the sources say that these are – they call it advanced talks, but, you know, do you think this will happen during Modi’s visit?

MR. ROSSOW: I’m sorry, that was Westinghouse? Or which one did you say, you wanted the –

Q: Yeah, yeah, the Westinghouse. Yeah.

MR. ROSSOW: Well, I don’t know. I mean, I hate putting a 1 to 10 on it. I mean, somebody in this world has a much better sense, those that are actually in the negotiating room. So, you know, I mean, again, when both governments are so very committed to trying to get some big picture deliverables, and this is one that I think for a few months now has been teed-up as the big thing they wanted to get out of this trip, I think they’re extremely committed to doing it if it’s at all possible. But a 1 to 10, very difficult to put a number on that.

You know, corruption – yeah, corruption obviously is endemic. And India tends to rank very poorly on Transparency International, things like that. And, you know, again, a lot of that is not going to be due to things that the prime minister of India can do or not do, because, you know, so much about law and order resides in the states that there’s only so much influence that the prime minister of India can have.

There are some big areas I think that he made a dent in corruption. For instance, one of the areas that was the source of big-level corruption in India had always been the allocation of national resources, mining rights and spectrum and things like that. So one of the big things that the Modi government has done since the day it stepped into office is having more clean, transparent auctions that I’ve not heard allegations that it has been done with any kind of partiality.

So, you know, there’s some things you can do from Delhi, but a whole bunch of what has to happen is local level stuff that it can be very difficult and it’s going to take a long time. So corruption’s definitely there. You’ve seen some small things that happened. I’ve never heard allegations against the prime minister himself that he’s engaged in corruption as the chief minister of Gujarat or now the prime minister. Lots of stories about how he’s tried to press cleanliness upon his senior ministers across the government. But you know, again, that’s as far as your arms can reach out of Delhi. Most of what has to happen is going to be getting further down the list.

You also mentioned TPP and reluctance about Indian inclusion because of lack of reforms. You know, I think it’s a very sharp divide when you talk about economic reforms under the Modi government. If you talk about things related to foreign equity gaps he’s been the most forward-leaning prime minister that we’ve seen probably ever in terms of his rapid, you
know, opening of and lifting of foreign equity restrictions. But at the same time, as I mentioned earlier, on trade – in terms of market access on trade, you haven’t seen that same kind of positive attitude for really kind of deepening India’s, you know, trade engagement with the world.

There’s the local content rules that were established under the previous government that have been maintained, some new ones including a recent policy by the Ministry of Heavy Industries that would force local content rules for certain types of capital goods. So I think it’s not that he hasn’t been pro-liberalization on market access. But most of his market access liberalization has been on investment and a whole lot less on the trade side. And so it is still a divide.

Q: Actually, that’s a great insight. And one final date. On days when he departs from Mexico, what are the headlines you expect to hit, that he came, he consolidated, he celebrated? Or do you expect some, you know, good, productive headlines?

MR. ROSSOW: Well, I think the only – the only major headline that I could envision would probably be the signing of a Logistics Exchange Memorandum and the announcement of Westinghouse moving ahead. I don’t know that there’s anything else that’s quite at that level. And I mean, I can’t tell you whether or not those things are going to happen next week, but they’re certainly on the short list of big items that they want to see happen. So I think your question, if we get one or both of those done, then obviously it’s going to be a very direct, you know, they’re walking away with something that’s very tangible and specific, and really kind of moving the relationship forward on the security side.

I don’t think you’re going to see anything on the economic side that’s going to raise people’s eyebrows. So there’s still, as I mentioned, such a deep gulf between our positions on major trade issues and economic issues. So I think you may see – if we don’t get one of those two biggies done, then that would be about it. So I think if it’s a logistics agreement or Westinghouse nuclear, those are probably the most likely things that would be headline grabbers if they’re able to get them done. Barring that, then I think you’re right, I think it would be more—you know, a nice visit, consolidating, keeping relations, that kind of thing. But a lot less significance attached to it.

Q: Thank you very much. That was great.

OPERATOR: Yeah, we do have a question on the line of Ken Rapoza of Forbes. Please go ahead.

Q: Yeah, this might come out of left field a little bit. I’m not sure if this is even on the table, but anything about maybe H-1B visas and immigration reform? Is that on the table at all?

MR. ROSSOW: I’m sure the most substantive conversations about that issue are going to take place behind closed doors when Prime Minister Modi meets with congressional leaders. He may bring it up as a course of action, you know, during his meeting with President Obama, but I don’t think we’re going to see any indication of, you know, real kind of deep, substantive
progress on that as part of the joint statement with President Obama. So he may reference it during his address to the joint session. So you may get a public acknowledgement that that’s something that India really kind of desires in this relationship with the Hill. But I’m very sure that it will be raised prominently during the private meetings that he has with Hill leaders.

So probably the only public thing that we’re going to see out of that, you know, might be a reference in the address to the joint session. And otherwise, it will be done privately and kind of prodding with some of those quiet conversations.

Q: Yeah. Let me – let me ask you this. This is one thing I don’t really understand, and you can help me here. How does that really help India? Because I’m thinking Indian – you know, I go to India twice a year. I was in Bangalore a few weeks ago. And I’m thinking, they want their IT guys there. They don’t want them here. So how does that really help?

MR. ROSSOW: Yeah, just about –

Q: I don’t see why it helps – I mean, maybe it helps (info stuff ?) here, but how does it help Modi there? I don’t understand how that works.

MR. ROSSOW: Well, he wants to see further growth of the IT service industry in India. And, you know, it’s been –

Q: Right, but he’s sending them here. He’s sending all those tech guys here, you know what I mean? Like, H-1B visa is about sending those guys here and not keeping them there, where Bangalore is amazing and growing and maybe they want them there too. I don’t understand how it helps Modi, how it helps India, in other words.

MR. ROSSOW: Yeah, yeah. I’ll tell you. So a lot of the contracts that Indian IT service companies sign with major international companies have kind of two different components. One of that is some of the work would be done in India and some of the work would be done here in the United States. Sometimes you just can’t do the kind of engineering or IT service or server maintenance work that you want to have happen just from India alone.

And so if a major U.S. company is doing a bid for contracts, and you’ve got TCS and Woodboro (sp) and others that are bidding on it, and part of the component for that is going to be having somebody injected into the company’s headquarters or one of their, you know, major regional centers, if that’s a part of the deal, which a lot of times it is – that’s a very significant component of a lot of these proposals that large companies put out – if India can’t bid on those because they can’t get more workers here – and it’s a temporary basis – but if they can’t bid on those because they can’t fulfill that component easily, then they may lose deals.

So is that going to cripple and destroy the entire industry? No. Is it significant? It is. The numbers that I’ve seen by Indian investment banks about potential impact, if there was further limitation on visa usage it’s fairly significant for stock values for a lot of these Indian companies. So it could hurt foreign, you know, earnings from these major exporters, limit contracts.
And I think, you know, to kind of a second, I think, very real issue, is India just doesn’t have a lot of market access issues. And this is one of the very few. So it probably gets even a little bit more additional focus and attention because, you know, unlike the United States where I can sit here and rattle off 50 or 100 different issues that companies face about doing business there, there’s a whole lot fewer restrictions on Indian companies coming here. So the fact that, you know, you’ve got a few like this, they get probably an abnormally large amount of attention for that reason.

So it’s both a very substantive thing – it precludes some Indian companies from getting contracts. But also, you know, the fact that you’ve got so much more attention because there’s not a long list – I think those are probably two of the reasons you hear it brought up some prominently, if that makes sense.

Q: Yeah. It does. It does. I’d like to talk to you about that sometime in greater detail. Another day. Thanks a lot. I appreciate it.

MR. ROSSOW: Yeah, mmm hmm.

OPERATOR: OK, next question is from the line of Doug Palmer. Please go ahead.

Q: Yeah, hi. Actually, my question was on the same topic. When you mentioned the visa issue it reminded me that, you know, Congress had increased these visa fees and that India had actually initiated a WTO complaint on the matter. I mean, do you think that this is something that Modi is going to bring up in his speech, you know, complain about, you know, what Congress has done on this issue?

MR. ROSSOW: Well, I think, you know, it’s going to be subtle. My guess is – and I have no inside baseball on what Modi’s speech is going to be – but if I was in his shoes and having some understanding about the subtleties of diplomacy, probably, you know, he’ll make some references to the fact that, you know, Indian IT service companies are part of the glue, because they are in a lot of ways. I mean, that’s the group of, I think, Indian history that’s the most like-minded for the United States on international globalization, things like that. And the relative ease by which people have been able to move back and forth has been a real boon to the relationship or something like that.

So, you know, I don’t think he’s going to get up there and say that bill you passed is hurting us. Instead he’s going to talk about the positive aspects about having people moving back and forth and the kind of personal relations that helps build, that kind of thing. So it’ll be sort of subtle, I think, in the speech. But at least they’ll be able to say that he kind of made the
point about the importance of this type of activity. But a direct, full-on charge saying that what you did hurts us and is wrong, very unlikely to hear him say that.

Q: Yeah. And then just – it was interesting to hear you say that this is one of the few market access issues that India actually has with the United States, whereas U.S. companies have, like, a long list of things that they complain about in terms of market access in India. You know, does the Indian government get much help from the U.S. business community on this issue, or does the business community kind of just say, huh, you know, we have all these concerns. You don’t seem to be moving very quickly on market access, so don’t, you know, look for us to be an ally on this particular issue.

MR. ROSSOW: Yeah. And you know, I mean, ultimately every business is in it for itself. So to see American businesses kind of weighing in on India’s behalf when they don’t have a direct commercial interest themselves is very unlikely, just like we don’t except at the end of the day for Indian businesses to carry water on market access liberalization in India. You know, it’s just not the way that this thing works. Sometimes you’ve got, I think, when opinions sort of come together. Like, a lot of American firms would also like to see the United States increase technology worker visas. So an increase in the cap of H-1B visa workers, you’ll have a lot of American companies too that would like to see that happen and lobby for it regularly.

But you’ve got – you’ve got some issues underneath that. For instance, the cap on – whether it was – there was talk in one of the previous versions of immigration reform that would actually put limits on the use of H-1Bs for the heaviest users. So if a company that employs in the United States, over 50 percent, over 75 percent of their workforce is H-1Bs, they would be limited against vying for new ones.

So that’s where, you know, those kind of like subtle notes that are included in the bills – that clearly hits directly at the Indian business model, where a lot of the U.S. employees with Indian IT companies are H-1B visas over here on temporary project assignments whereas, you know, if you talk about some of their competitors, whether it’s IBM or Accenture, folks like that, they clearly – you know, they’ve got such a huge U.S. naturalized citizen workforce, et cetera. For them, you know, a limitation percentagewise on H-1B holders isn’t really a big deal.

So IBM may not weigh in on that one, but on another one that would increase the overall cap, you know, that’s something where you see an alignment with the U.S. interests. So on some of this stuff you start getting into the weeds. And there, you see a difference of opinion. But across the board I think, you know, large American technology companies would like to see an increased cap. And that’s aligned with India’s interests. But some of these more minute issues about the heavy users and that kind of stuff, you know, that’s where India would really stand more on its own.

Q: OK. Thanks.

OPERATOR: Thank you. And we have no further questions in queue at this time.

MR. ROSSOW: Great.
MR. QUINN: OK. Well, thank you all for joining the call. There will be a transcript going out today. So please keep an eye on your inboxes for that. And, of course, this week happens next week. And please be sure to get in touch with myself or Andrew Schwartz, or Brandon Schwartz in our press office. Thanks a lot, guys.

(END)