

Strategic Relations Behind the Pageant

Vital relationship for peace in the region

US President Donald Trump's first visit to India will signal the continued momentum of the strategic partnership between the two countries. With a trade deal unlikely to be struck during the two-day visit, the focus will be on defence, energy and other such partnerships. For Prime Minister Narendra Modi, this visit must be about impressing on President Trump India's strategic importance to maintaining a liberal world order.

New Delhi and Washington have divergent views on the desirable nature of the world order. Yet, India's vital role in maintaining a free and open Indo-Pacific region, free from Chinese domination is appreciated by both sides. Public pomp and show combine with pushback and tough negotiations in private on sanctions for trade with Iran and Russia and the US deal with the Taliban that is likely to hurt India's, not to speak of Afghanistan's, interests, besides bilateral trade. Though like other partner countries, India too has been at the receiving end of the Trump administration's trade-related stick, it



has not come in the way of deepening the Indo-US strategic relationship. The failure to clinch a trade deal is likely to be balanced out with defence deals such as the sale of helicopters and a missile defence system. Other issues that are likely to figure in talks between

the two leaders are 5G technology and the risk posed by Chinese vendors. For its part, India must push for clear answers on Washington's plan for the Af-Pak region and the Persian Gulf, both vital to India's economic, political and military security.

The India-US relationship has strengthened despite the America First foreign policy pursued by the Trump administration. This momentum needs to be maintained. For Prime Minister Modi and his foreign policy team, the critical task is to impress upon the US president and his advisors is that while the tussle on trade can continue and will be resolved, it should not come in the way of a strong partnership. A strong India that has strategic ties with the US, Japan and Europe is a prerequisite to ensure that China's rise remains peaceful.

Target Financial Stability, not Prices

RBI governor Shaktikanta Das says the central bank is evaluating the experience of three and a half years of the working of the monetary policy framework since mid-2016. This is most welcome. India adopted inflation targeting, even as the developed world was abandoning it in the wake of the Global Financial Crisis of 2007-08. There are many who would urge the Bank to persist with inflation targeting, albeit using an index more appropriate than the consumer price index, in which over 60% weightage is assigned to food and fuel, which are not amenable to monetary policy changes of the normal kind. But that would not go far enough.

Such supporters of better inflation targeting might argue for tracking core inflation, minus food and fuels. That would be an improvement, but would not address other vital concerns. Many are of the view that monetary policy should give greater weightage to growth. Some suggest that instead of targeting inflation, monetary policy could track the nominal growth rate, which would combine both inflation and real growth of the economy. This, however, still fails to fully take on board the lessons of the financial crisis. The globalised nature of financial markets has increased volatility and uncertainty in the movement of capital across borders. Sudden surges in inflows or outflows have the potential to disrupt the financial system. It is financial stability that monetary policy must target, first and foremost.

The world saw all talk of central bank autonomy from the government evaporate, as the crisis stuck. Fiscal action saved



Modi and Trump need to talk shop – and not just trade homilies – to Make India-US Great Again

TRICK OR TRADE?

Show Business, Gentlemen?



Ram Singh

Before embarking on his two-day visit to India, US President Donald Trump has dashed hopes of a meaningful trade deal between the two countries. American and Indian negotiators have blamed the other side for a lackadaisical response and for shifting the goalposts respectively.

High tariffs and trade deficit with India are a constant refrain of Trump's bashing of India as 'tariff king'. He has accused the country of denying American products an 'equitable and reasonable access' to its markets. The visiting president has assured his voters that he will 'talk business' with Prime Minister Narendra Modi.

Modi should use the occasion to talk business with his guest by conveying some relevant facts. India does not figure even among the top 10 countries, which includes Ireland and Malaysia, with which the US runs trade deficits. For 2019, the US trade deficit with India at \$23.3 billion dwarfs the corresponding figure for China — \$346 billion.

The Trump government's aggressive stance seems to be guided by a belief that trade is more consequential for India than the US. The latter is the second-largest trading partner of the former, but India comes a distant eighth among the US's largest trading partners. This is a rather short-sighted view. India is already the third-largest market and its economic heft is, despite a slowdown, growing by the year.

India is generating Big Data — the proverbial 'new oil' — in super abundance. The country is witnessing unparalleled growth in mobile data fuelled by low-cost connectivity enjoyed by 800 million users. Several US tech giants, like Facebook and Google, are already earning substantial profits using Indian data. In the coming years, a much larger number of US firms will need access to Indian data to create jobs and wealth in their country in activities such as artificial intelligence (AI), robotics, Internet of Things (IoT), cloud computing, data analytics and nanotechnology. Potential gains from cooperation are many.

But there are serious differences. The Trump government demands easy access for its dairy and agriculture products to 1.3 billion Indian consumers. It is opposed to the Indian measures to make healthcare affordable — price caps on drugs and medical devices like cardiac stents and knee implants. Differences also abound over rules for data localisation and e-commerce.

These issues have resulted in trade skirmishes. It started with the US raising the import duty on Indian steel and aluminium products — as 'national security measures' against a country that's supposed to be its 'strategic partner'. India retaliated by dragging the US to the dispute settlement mechanism of the World Trade Organization (WTO) and increased duties on import of 29 products from the US, including almonds, walnuts and pulses.

To ratchet up the pressure, from June 2019, the US suspended India's special status under the Generalised System of Preferences (GSP) that provided duty-free access to \$5.6 billion worth of Indian exports. Admittedly

the concession was revoked in response to the 'failure of the Indian government to provide equitable and reasonable access to its markets in numerous sectors'. In keeping with his reputation as transactional leader, just before embarking on his India sojourn, Trump has classified India as a 'developed nation' to eliminate the concessional treatment to India in countervailing duty investigations against its exports.

Trump and Modi should use the visit to work out a framework for addressing the differences in the spirit of give and take. Their decisions will have real impact on people's lives and long-term economic consequences in areas ranging from agriculture to health to manufacturing, digital trade, e-commerce and big data.

For a start, the two countries should restore the status quo ante by reversing increases in duties imposed on each other and withdrawing complaints at WTO. The US should restore GSP status for India. The gains from it can be used by India to buy US goods, including oil and gas.

The Indian side should also realise that a flexible policy can work better for the country. For instance, not all drugs and medical devices like stents and implants are the same. It is not necessary to have price cap on all. There are standard-use products and devices, and their more advanced versions, which must be differentiated by price to incentivise drug and device companies to bring their latest products to the Indian market. Otherwise, India will lose out on the latest drugs and techniques in healthcare.

One possibility is to go for an across-the-board trade margin rationalisation in view of the costs and expenses incurred by producers. The import duties on high-end Harley-Davidson motorcycles can also be slashed without adversely affecting the domestic motorcycle industry.

The agriculture and dairy sectors are complex. India needs to protect the livelihood of some 500 million dependent on these sectors who are no match for their US counterparts. Besides, there are cultural sensitivities. India demands certification that dairy imports are not sourced from the milk of animals raised on bovine extracts-based feed. This unacceptable to the US. One possibility is quota-restricted imports with clear package labelling regarding certified. India should be open to import of more fruits such as blueberries and cherries.

Finally, in its own interest, India should further liberalise foreign direct investment norms and facilitate investment by US companies in infrastructure, storage capacity manufacturing planes and insurance sectors. Addressing these and other issues such as intellectual property rights will require the two sides to work in the spirit of cooperation befitting the world's two largest democracies.

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Sanjaya Baru

Mr Prez, Stop Complaining

'They've been hitting us very hard for many many years,' complained US President Donald Trump, speaking about India at a 'Keep America Great' rally in Colorado last week. 'They give us tariffs... one of the highest in the world is India.'

A week before that, the Trump administration declared India a 'developed economy', snuffing out any hope of any early reversal of its decision to terminate trade preferences to a 'developing' India. For Indian millennials, the US president's trade tantrums may sound jarring. But this circus has been in town before.

There was once a lady called Carla Hills, a predecessor of United States Trade Representative (USTR) Robert Lighthizer. Hills threatened India with 'Super 301' and 'Special 301', US legislation that imposes trade sanctions in response to what it regards as unfair trade practices. That was Ronald

Reagan's United States. There was a senator called Lloyd Bentsen, who campaigned to become vice president in the 1980 US elections. He, too, held forth

against not just the likes of India, but also Japan and Germany. 'Foreigners can sell in an open American market, but we are not being able to sell them but a pittance. I don't think those things are fair and I don't think we need to roll over and play dead,' said Bentsen, then chairman of the US Senate Finance Committee.

The US did not play dead. The Soviet Union did. The US enjoyed a unipolar moment, and created new rules for global trade through the creation of the World Trade Organization (WTO). India resisted the attempt, but fell in line, cut its tariffs steeply, accepted rules pertaining to intellectual property rights (IPR), and so on.

That was supposed to be about free trade being fair. But that was not before the US threatened the likes of Japan with 'voluntary export restraints' (VERs) and Super and Special 301. The Europeans huddled together and created a single market. China was smarter. It scooped to conquer, and became the manufacturing workshop of the world.

A US that began to lose its competitive edge voted to power a bluff and bluster politician, who has promised to 'make it great again'. The rhetoric of the late 1980s is back.

It's actually an even older strain in the political polemics of the US. The distinguished trade economist Jagdish Bhagwati called it 'reciprocity' in his and D Irwin's 1987 essay, 'The Return of the Reciprocity: US Trade Policy Today' (bit.do/twkipl), published in The World Economy. A consequence

of the 'diminished giant syndrome' afflicting the US in the 1980s. That syndrome, too, is back.

Everything President Trump says about tariffs and fair trade now, President Reagan did before — and after him did Carla A Hills, the USTR of President George Bush Sr. But, as Bhagwati points out, the British conjured up the ideology of free trade and switched to pleading for fair trade when it suited them.

Trump is only echoing what the defender of the British empire, Joseph Chamberlain, had said in the last days of the Victorian era, 'We are losing our foreign markets, because whenever we begin to do a trade, the door is slammed in our faces with a whacking tariff... [A]s if that were not enough, these same foreigners who shut us out, invade our markets and take the work out of the hands of our working people and leave us doubly injured.' This was, and Bhagwati and Irwin quotes Chamberlain saying, 'unfair and one-sided!'

There is no need for India to get too flustered with Trump's trade tantrums. India has been buying defence equipment, civilian aircraft and energy (oil and gas) and energy equipment (nuclear) from the US. The trade debate between US and India has missed the wood for the trees.

It is not about dairy products, cashew nuts, motorcycles or stents. The history of USTR bullying on trade has been a history of pocketing a concession and seeking another, of shifting focus and talking tough. The US now seeks to damn with praise, calling India 'developed'. That's no way to treat a friend.

The criticism at home and overseas of the tariff policy pursued by the Narendra Modi government has some merit. But the WTO-compliant tariff hikes are not aimed at the US. Indian industry's major concern remains China, with whom India has a trade deficit that is far bigger than the trade surplus it enjoys with the US.

A bigger economy must work to offer a smaller economy more favourable terms of trade. By that yardstick, China must reduce its trade deficit with India, and the US should stop complaining about its deficit with India.

India, for its part, must seek to reduce the trade surplus it enjoys with many of its smaller neighbours, despite following a policy of asymmetric trade liberalisation in their favour.

Rather than engage the US on its terms, India should point to how it is helping 'Make America Great Again'. Four million Indians are working hard — in schools, colleges, offices and laboratories to 'Make America Great Again'. Indian brain power is fuelling the US economy. Someone ought to calculate its value.

Surely India would then be seen to be running a huge trade deficit with the US. Stop complaining, Mr Trump.

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THE SPEAKING TREE

Meditation: Keep At It

SANT RAJINDER SINGH

While meditation can help us become more patient, what many don't realise is that the process of meditation also requires us to be patient. We must learn to persevere and be steadfast in our efforts. Have you started the practice of meditation only to give up after a few attempts?

Meditation is like planting a garden — a garden of the soul, wherein we nurture the seed of our soul, which requires daily care to fructify. As we connect with the Light and Sound of God through meditation, we provide all that our soul needs to fructify.

It is up to us to water the seed of our soul with daily meditation so that it can grow, even though we may not see the fruits of our efforts right away. Each time we sit for meditation, we should continue, whether we get the results we want that day or not. Sooner or later, our efforts will be rewarded.

We need to have patience. We may not see the results right away, but we should do our job and meditate accurately. Then, one day, the results will appear. The seed of our soul will sprout. Suddenly, vistas of Light will open for us within, and we will embark on the inner journey. Through constant effort, prayer and patience, we will find success in our meditations.

Thus as we meditate and develop spiritually, we need to guard against becoming impatient. We must put down strong roots so we do not give up the first time any winds of difficulty blow.

Chat Room

Taking The Long View

This refers to the Interview 'We are Hopeful of Medals In Tokyo Olympics but Focus is on Paris 2024 and LA 2028' of sports minister Kiren Rijiju by Prerna Katiyar (Feb 23). It is heartening that the minister is talking about sports science, proper nutrition, world-class coaches and infrastructure to prepare our athletes. The government must ensure that our athletes have the exposure and world-class training required to compete at the Olympic level.

BAL GOVIND, Noida, Uttar Pradesh

Limit Portion And Waste

Apropos the edit 'Fine for Wasting Food or Rebase for Not' (Feb 21), one reason for food wastage is the failure to determine the correct size of portions. Restaurant portions are either too little or too much. As a first step, restaurants must set an optimum