THE BROOKINGS INSTITUTION

THE FUTURE OF THE U.S.-INDIA PARTNERSHIP

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PARTICIPANTS:

Luncheon Address

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Martin Indyk
Vice President and Director, Foreign Policy
The Brookings Institution

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Ranvir Trehan
Founder
Trehan Foundation

Keynote Speaker:

The Honorable Mark Warner
Co-Chair, India Caucus
U.S. Senate

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Co-moderator:

Martin Indyk
Vice President and Director, Foreign Policy
The Brookings Institution

Co-moderator:

Rajiv Kumar
Secretary General
FICCI

Bruce Jones
Senior Fellow and Director, Managing Global Order
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Swaminathan S. Aiyar
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Senior Vice President
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Ashley J. Tellis
Senior Associate
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Daniel Markey
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Deputy Secretary of State
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Secretary General
FICCI

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen. Welcome to the Brookings Institution and to this Third Brookings-FICCI U.S.-India Strategic Dialogue. I'm Martin Indyk, the Vice President and Director of the Foreign Policy Program at Brookings. We are pursuing a time-honored tradition at Brookings at eating and talking at the same time. I hope the Senator will indulge us, but we have such a packed schedule of discussions today on U.S.-India strategic relations that this is the only time that we have to eat as well. And we indeed are going to have I think a very sumptuous feast in terms of food for thought from the Senator.

To introduce the Senator is Ranvir Trehan, a great support of the Brookings-FICCI Dialogue, a great entrepreneur, from Virginia where he knows the Senator well from an earlier life. Ranvir, welcome.

MR. TREHAN: Good afternoon. It's my pleasant duty to introduce Senator Mark Warner to you, although in this town and in this region he needs no introduction at all.

Senator Warner was elected to the U.S. Senate in November 2008 with a landslide victory of 66 percent of the vote. He serves on several committees in the Senate, Banking, Budget, Intelligence and Commerce. He has always been a national leader in finding common-sense bipartisan solutions to our problems and he has been assiduously working in that fashion all his life. For instance, he was a member of the Gang of Six, three Democratic Senators and three Republican Senators, who were trying to trim our national deficit by $4 trillion out of the $14 trillion that we have currently. Also before that he worked on the regulation of the financial institutions and the banks in a very bipartisan way and that has been proceeding forward. Earlier he worked on other issues such as women's health, in Veterans Affairs and effectiveness of federal agencies and reducing waste in the federal government.

Before the Senate, Senator was Governor of Virginia from 2002 to 2006. He came to the governorship with a maximum record deficit in the budget of the State of Virginia. During his time with bipartisan support from the two houses which were both Republican, he converted it into a surplus. We also devoted considerable efforts in education and in business and brought 135,000 jobs into Virginia during his tenure. Virginia was universally regarded as the best-governed state during this period.

Before that, Senator Warner studied here at The George Washington University for his undergraduate and then went on to Harvard Law School for his law degree. He was an early investor in cellphone technology and the company that ultimately became Nextel and of course was extremely successful in this country. He has also been an entrepreneur and an investor in early start firms thus bringing more jobs into the economy. So with this introduction, I bring to you the Senior Senator of the State of Virginia, the Honorable Mark Warner.

SENATOR WARNER: Thank you, Ranvir. Thank you for that very generous introduction. More importantly, thank you for the many years that you and your family has given me friendship. I can think of very few people I know that are more involved in their community and more generous in so many different ways than Ranvir Trehan. So thank you for that introduction.

Martin, it is wonderful to be back at Brookings. I know when Martin introduced this setting that there are so many good discussions going today that you have to actually eat and listen at the same time. That is unique to Brookings. It is wonderful to be at a place where there is civilized, thoughtful, reflective conversation where people are trying to discuss solutions. That is very different than where I work during my day job.

But it is a great honor for me to be here with Secretary General Kumar and all of my friends from FICCI to talk about the opportunities we have between the United States and India. The one part that Ranvir left out of that introduction I would have thought --

MR. TREHAN: He is the leader of or the Co-Chair of the Senate U.S.-India Caucus and during his time the caucus membership has increased to 39 members. He has energized the Senate, and I can tell you that he's always looking to find common-sense, creative solutions and initiatives for cooperation between the U.S. and India at all times. And he is going to India in January I think for a trip.

SENATOR WARNER: And you left out one other thing. Who was the first governor in the history of Virginia ever to lead the largest delegation at that point ever to India?

MR. TREHAN: A delegation to India.

SENATOR WARNER: Thank you, Ranvir. Thank you. He's very generous. I thought I had written the whole introduction out for him. He said all those nice things and then he forgot.

MR. TREHAN: A great friend of India and Indian-Americans in this country.

SENATOR WARNER: It has been remarkable in the last 10 years to see the growth of this relationship. I think every politician always starts with the discussion of the fact that the world's oldest and the world's largest democracies, how important it is that we are friends, allies and partners. It's also remarkable, I know we're supposed to be politically correct here, but that really wasn't so true until the last 20 years. As we think about the evolution of the relationship between the United States and India over the last 10-plus years starting with President Bush's I think dramatic support for India, the move forward on the key agreement on nuclear power back in 2008, the fact that President Obama I think appropriately hosted Prime Minister Singh at his first major state visit and state dinner, President Obama's recent visit, I guess not to recent now, almost a year ago, to India and the announcement of increased ties in terms of $15 billion of deals between our countries, all important steps forward. One of the themes of what I want to try to talk about today is how we move this relationship that has evolved into a strong friendship into a strong partnership. Because friends can agree and disagree, but partners do more than have photo ops, do more than announce big deals, they actually work through the details of a tremendously binding relationship that will draw our countries closer and closer together because it is in both our countries' self-interest to increase this opportunity.

As Ranvir mentioned, one area that I hope I can contribute to this is as Co-Chair of the U.S.-India Caucus in the Senate. We've grown to 39 members. I just picked up Jeanne Shaheen the other day. We're up to 40. Our goal should be north of 60 I hope before the next 6 months are over. I don't think that should be too much of a challenge. Mark Bruner, you're going to get fired if not. What our hope is with the caucus, when Secretary Clinton first started the caucus a number of years ago, it went through a period when the relationship between the U.S. and business was blooming so much, and then I think as our relationship matured, the U.S.-India Caucus in the Senate took a lower role. It's time for that role to reexpand, for us to increase not only the number of Senators but for the caucus to make sure that we're in regular communication with friends of the U.S.-India relationship on a regular basis, to serve as a conduit particularly as we build our business relationships and to also look at cultural opportunities. I think another great step forward was taken in this relationship at the Celebration of India at the Kennedy Center a few months back. What we also hope to do with the caucus is build out and use this as a conduit for the growing Indian-American communities all across the country. We really think this is an

opportunity and the caucus can be one of those voices for Indian-Americans not only in terms of direct policy issues, but, again, cultural, educational and other opportunities as well. Let me go through some of the points where I hope this relationship can build and then I'll be happy as time and interest allows to take some questions.

First and foremost, we do need to make sure that we continue to increase our commercial ties. Again, my congratulations to so many strong Indian business organizations, FICCI being of course one of the strongest. It is terribly important that we take advantage of these opportunities. Over the next 10 to 15 years as again our Indian friends are quick to point out, 200 to 400 million more people will enter into the middle class and you will soon have, what is it, more than a dozen cities that are basically equal to the size of New York, 10 million plus. This is a wonderful opportunity for increased trade and relationships, but not only in this emerging middle class and in the metropolitan areas, but I think we need to also think about increased commercial ties between rural areas in India and rural areas in the United States.

How do we do this? Part of this is striking the right balance. We need to continue to work with our colleagues in India in terms of increased opportunities for foreign direct investment. Progress has been made but there still remain challenges in terms of multibrand retail, banking, insurance, and we need to work on a cooperative basis to expand these opportunities. One of the things that I often list as one of the areas to focus on is well is increased educational opportunities. Although I've been appropriately informed that while we may need to spend some more time waiting for legislation to get through at the national level, there exists a great deal of opportunities for American educational institutions to partner directly with Indian states and as a former governor I think this is an area that again we in the caucus can help accelerate those ties.

As to the area of increased commercial activity, something that Ron Summers and the U.S.-Indian business community has talked about is the notion of I think we ought to brush of and relook at the notion of bilateral trade agreements and how we elevate those. The question is does this path lead ultimately toward a free trade agreement between the United States and India? I think that should be our long-term goal. But I think there are intermediate steps that we can take in terms of looking at bilateral trade agreements and increasing opportunities so that we don't have Indian products coming into the

United States and American products and goods going into India, that we do as much as possible to lower some of the friction points.

I also have been very proud over the years to promote more Indian direct investment in the United States. My appeal has always been, and friends in the room who I've met this have heard this from me, but I encourage my Indian business colleagues as they look at investing in the United States I urge them to look beyond the traditional areas. This is somewhat controversial, but I think Indian businesses looking at investing in the United States need to look beyond Northern Virginia or New Jersey or Northern California or the areas where there are already large established Indian business communities, the value in Indian businesses investing in more rural communities. In areas that have not seen the benefits of globalization is enormously powerful. I will often recall the Indian company Esopropak who we brought to Southern Virginia that was a polymer manufacturer. This was a community in Southern Virginia that was vehemently antitrade because its traditional industries had been tobacco, textiles and furniture, not exactly industries that have had long prosperous recent futures or recent times in the United States. Esopropak came down; put a polymer manufacturing facility in rural Virginia in Danville. It has grown three expansions over the last 10 years. It has about 400 employees right now. The whole community's view on trade and globalization has changed because they've seen the benefits coming both directions. There have been some development opportunities in this area, but I think there is more than can be offered as we think about the tremendous growth of Indian back office operations in the IT sector. If we can figure out a way to do a back office operation in Bangalore, we should also be able to figure out a way to do a back office operation in Martinsville, Virginia. And for Indian companies who have broken those barriers, I think it is the Indian company's self-interest as well as overall commercial self-interest if we can strengthen these ties particularly in rural communities. Let me also assure you that if this is of some interest and you're looking for a state where you might have rural areas to invest in, I still wear my former Governor's hat as a promoter of Virginia.

Another area that clearly has been of enormous importance in the last few years has been strengthening security and defense cooperation. India and the United States both have been victims of terror attacks, India unfortunately more recently and more repeatedly. India and the United States stand united in opposition to terrorist groups and are both equally disturbed by direct or indirect

state support by certain nations of terrorist activities. I think there are beginnings of collaboration between our Homeland Security operations in the United States and some of the Home Office operations. I know Secretary Napolitano was either going or just has been to India, but this is an area where increased collaboration opportunities I think need to be higher on our agenda around the area of homeland security and national security. I understand again this is a sensitive issue in India in terms of appropriate appreciation of India's long-term policies in terms of autonomy, but this is an area I think of potential collaboration around homeland security.

One of the reasons I was late was I was just with Admiral Willard who is the American military commander for the Unified Command for the whole Pacific and Indian Ocean Region. He has command based out of Hawaii not only our Navy but all of our Army, Air Force and others. He has talked about the dramatic improvement of collaboration and joint exercises with the India defense forces. This is still an area that needs I think again increased collaboration. I'm proud of the fact that now the U.S. Navy and the Indian Navy have more joint exercises. The Indian Navy has more joint exercises with the United States than any other nation, again, an area that needs focus and I believe sensitivity to it. I know Ambassador Rao is not here. We look forward in the U.S.-India Caucus to host her up on the Hill in a few weeks. I've brought up a couple of times and I won't bring up again the disappointment we had about the Merka announcements in terms of the fighters, but we do think clearly India has made their announcement of $80 billion in investments to modernize their military. India is going to be a great customer and we need to make sure that from the caucus's standpoint we work with both our Defense Department and State Department making sure that American military enterprises can have the kind of sharing with their Indian counterparts to make sure that we can be good customers. Obviously while I'm very proud with the announcement of the C-17s and that $4 billion purchase, I hope that we can lead this to other opportunities.

Let me also mention that I had a much more diplomatic sounding specific speech, but I thought I would give that to the question period. Let me also acknowledge one other area that we need to work on and that is we need to continue through our immigration and visa challenges. I know there were many concerns and my staff said whatever you do, don't mention the H1B issue. I understand the concerns where an important policy goal of the United States was perhaps dealt with on a pay form that

was maybe or maybe not the right spot, but that's behind us. Let's look forward on how we can continue to broaden H1B opportunities. Let's look forward as well, one of the things that I'm strongly supportive is on the entrepreneur's visa and lowering that threshold from a million dollars to a half-million dollars and Senator Kerry has got a bill on this. This is again good for joint collaboration between our countries, and as we struggle with slightly lower growth rates in the United States than India, opportunities I think to create American jobs and we need to continue to sort through, and I say this wearing my more American hat, comprehensive immigration reform so that as we continue to have the kind of educational collaboration that has been such an opportunity particularly for so many Indian-Americans, I have to say selfishly that we make it a valid open chose for those Indians who come over here to study particularly in the stem areas. If they choose to build that world-class operation here in the United States, they ought to have that opportunity and we need to again work on that as again my hope is that there will be Americans that will go over to Indian institutions as well and choose to do the reciprocal type of entrepreneurial opportunities in India as well.

But we do need to guard. I opened my comments with the fact that I work at a challenging spot right now in the United States Congress. It is very important that not only at the Brookings of the world but that we continue to make the point to the American people and to many of my colleagues that we clearly live in an enormously interconnected world whether like it or not. We've seen certain actions by certain members of Congress recently that have said let's play toward nationalistic interests or let's play toward cutting back on America's role in the international financial community or cutting back on American foreign assistance that helps develop and spread what I think is America's greatest asset, our love of democracy, love of the market, entrepreneurial spirit. We need to make clear that the U.S. and India truly are not only friends, but are norms partners, that our interests are so intertwined and we need to make sure that these kinds of conversations take place not only at Brookings but take place with members of Congress and throughout the whole country. We need to get out of Washington and have these. My challenge to FICCI and my challenge, and this is clearly not in my prepared remarks, is we need to get out of Washington and New York. We need to have these kinds of settings in smaller community and secondary-sized cities all across America because Americans right now are scratching their heads sometimes wondering why are we on the precipice of another economic

downturn because of a banking crisis in Greece? Why do they only hear those voices who say that globalization has only led to decline of jobs when actually in many ways globalization has led to the dramatic increase in raising the overall standards of living for people all across the world? We need to get out of our comfort zones to build this case. So while I give great thanks to Brookings and FICCI for this forum, I hope from the U.S.-India Caucus in the Senate that we can be that kind of positive voice with the goal of 60 Senators, and once we get those 60 we'll be able to get votes on most everything we need since 60 unfortunately seems to be threshold number now, but we do need to broaden this conversation and we need to make sure that the goal is U.S. and India not simply as friends, but truly, truly as partners and I hope in some small way I can be part of that process. Thank you very much, and I'd be happy to take questions. Martin, are you going to proceed?

MR. INDYK: I'm going to moderate just in case we've got some difficult questions.

SENATOR WARNER: Very well. Very good.

MR. INDYK: Although I know you can look after yourself. Let me begin first in thanking you for departing from your speech and giving us such an interesting and I think useful roadmap for the bilateral relationship. I've just come from India where we at Brookings are trying to build up capacity in India, Brookings in India in fact. I hadn't thought about Brookings in Indiana, but we'll come back to that in a moment.

What's striking when you go to India these days and you look at what's happening in Washington is that there is in some ways a crisis of governance in both countries as two great democracies. The sources are different I think, but I think it might be useful since you're so involved in trying to break the gridlock here, if you would give our audience a sense of how you're going to do that.

SENATOR WARNER: That almost makes me want a question on Pakistan instead. One of the missed opportunities of the last year, and I say this as a strong supporter of the President, has been the fact that the President and to a degree Congress didn't either make the case to the American people of how we got in this circumstance. The reason we have a $14 trillion debt is not due to one political action of one party or the other. Too often it is viewed, the Democrats say it's because President Bush started two wars that weren't paid for. The Republicans say it's because President Obama spent money on stimulus and other government spending. Those are not the underlying reasons. The

underlying reasons are more demographics. I'd like to say the real cause of the debt crisis in this country is the medical community because we're all living too long. We set entitlement programs that were based upon when Roosevelt set 65 as the retirement age for Social Security, life expectancy was 64. And if we are going to reach the ability to drive our debt-to GDP ratio down, we have to, as Ranvir mentioned, take off $4 trillion. We don't have to do that overnight, but we have to have a real plan that the business community and the American people will believe in.

The only way you can get there is if both political parties are willing to give on their kind of sacred cows. One, the Democrats have to be willing to reform entitlement programs so that they are sustainable over 75 years. And the Republicans need to be willing to acknowledge that with spending at all-time high but revenues at a 70-year low, you're going to have to increase revenues and you can do it through tax reform and not raising rates. Let me give you the bad news and the good news. The bad news is that the agreement that was reached at the end of July was both political parties agreeing to the lowest common denominator of the other party, and the reaction from the markets and the reaction from S&P was devastating not only to the United States but indirectly to an already very fragile world economy.

The bad news as well is that in the past, my belief it was, was that America always had enough of a preeminent lead in so many areas that if America couldn't get its act together for a year or two, it was bad but was not devastating. India is not waiting for America to get its act together. China is not waiting. Brazil is not waiting. So we don't have the luxury of avoiding this hard choice.

The good news is that there is a group of Senators -- we have now 36 or 37 I believe who signed up to say we'll be for this grand bargain. There is a growing number in the House of Representatives, Democrats and Republicans. We need the business community. The business community sat out most of this last debate because I think they didn't believe we would perform as poorly as we did. But it's in the business community's self-interest that we put a real plan in place. And we have an opportunity right now when we set up the Supercommittee of 12. One of the things that I know must be confusing sometimes to our Indian colleagues is the American congressional political process. It's confusing to me as well. But the one opportunity we have is if this Supercommittee acts, their proposal will get a straight yes or no vote, no I'm for this part but not for that part. It will have to be a grand bargain and we shouldn't try to miss that opportunity. So what I've been working on, and I had a series of

meetings last week and something was reported at a dinner with a number of business leaders at my home last week, to make it safe for the Supercommittee to go big. We've cut $1 trillion, and they need to go really another $3 trillion more. That means entitlement reform and tax reform. And if we can show them that there will be political support that will not criticize them the first words out of our mouths, I hope they will step up. And I also believe that the one message I heard from traveling throughout not just Virginia but other states in August was the American people are ahead of the political class because they are desperate for us to get something done and they will be willing to kind of grant us a little leeway on each side if we actually act. So I remain optimistic.

MR. INDYK: Thank you. We'll go to questions from the audience. Please wait for the microphone, identify yourself and make sure there's a question mark at the end of your question. We're going to start with Rajan Kenoria here up front.

MR. KENORIA: Thank you very much, Martin. I apologize, but I'm going to break that question mark part of it and I'm just going to make a comment. I would like to thank Senator Warner for being with us, and on behalf of FICCI we really appreciate the work that you're doing to build the India Caucus and to build this partnership with India. I'm delighted to hear from you that you want to move from a transactional to a partnership mode. We in the business community would support you completely and FICCI would love to work with you in any manner possible.

There are a few concerns which we do have. One, we find that whereas the engagement with India from the large corporations point of view has been good, I think we have to find a framework where we can get small and medium businesses to participate in this growth and opportunity in both these countries. In terms of investment, the accumulated investment, surprisingly U.S. investment in India is lower than the Indian investment in the U.S. and we would love to see that change because I do believe that the technological gain and the technological advantages which are possible to transfer from the U.S. into India we have not yet really taken the full potential of that forward. And I believe there are some changes which have come about in the transfer of technology which are very welcome in the grading of India in terms of allowing this technology transfer to happen and that would help the partnership.

I think it's also important that within the psychology during the discussions that I have had in the last 9 days in Chicago and in New York, we have to look at what India has already done by way of opening up and liberalizing its economies and looking at the positive aspects and not just at what is yet to be done, and I think that psychology needs to perpetrate that a lot has been done and there are tremendous opportunities which are already on the table and those which are not there are still being done and there is a positive movement. I think our president of FICCI compared this to India having embarked and got into a train where the train is moving. It might slightly slow, it might move fast, but that it is going forward is definite and I think that's very important. So I just would like to leave these comments in thanking you.

MR. INDYK: Thank you. Before you respond, Senator, your staff are telling me that you have 5 minutes.

SENATOR WARNER: I've got 10. I've great to be still boss of one thing. Let me try to respond here very quickly.

MR. INDYK: Sure.

SENATOR WARNER: This is one of the areas on working through; this is where I think about partnership versus friendship. Friendship makes big announcements and grand photo opportunities. Partners are somebody who works with you through the State Department to get some of the technology transfer regulations changed so that we can actually see this increased collaboration, number one. Number two, I agree with you that large corporate America has made the investments in India, small- to mid-sized corporate American businesses have not. Don't take that personally because small- and mid-sized American businesses have done very little export or direct investment anywhere because as you know, they've had the luxury of the largest market in the world and very few of our small- to mid-sized businesses know how to do business abroad. They're starting to learn that 95 percent of all future customers are going to be outside the United States. They have to learn. And one of the things that we're trying to work on and the administration has talked about but we've not seen their full proposal is we have a very cumbersome set of programs to assist American businesses, some at the Commerce Department, some at the U.S. Trade Representative, the Export-Import Bank or OPEC. There is not an

easy entrée point for someone who wants to do business in India to figure out how the United States government would help them.

And third, just to continue to see if I can a little bit controversial, most American businesses that are investing in India are by India-Americans. How do I say this on camera that won't come back? We need to do maybe an outreach effort from FICCI and other organizations to find partners. Again I come back to some of these secondary communities, not just the New Yorks and Chicagos, for American businesses that might not be India-American in origin. Is that the politically correct way to say that?

MR. INDYK: I think we got it. Let's take three quick questions together.

SENATOR WARNER: And I'd love to help present those opportunities. I could see a tour of secondary cities around America where we can bring FICCI or others and get mid-sized chambers to do this and I think it would be a very interesting opportunity.

MR. INDYK: Good. Let's take over here, please. We'll take them three in a row, Senator.

SENATOR WARNER: I'd like to answer all your questions, but Martin is not letting me.

MR. SINGH: Atul Singh. I'm the founder and editor-in-chief of "Fair Observer" a new multimedia, multidisciplinary, multinational journal analyzing issues of global significance. My question is twofold. One, very quickly, I was in an ex-counterinsurgency officer in my past life and I served in Nagaland and Kashmir. At that time we had expertise that could have helped the Americans not just in Afghanistan but in operations across the border into our lovely neighbor Pakistan. My question to you is how far -- you talked about defense, you talked about the navy, all very good things, but the fundamental question is intelligence. How far do you think you could from the Senate push this intelligence cooperation between the two countries which I think is essential, it is a sine qua non, given the joint challenges we face from the same adversaries and the same concerns? Question two is, very quickly --

MR. INDYK: You're only allowed one question. Sorry.

SENATOR WARNER: Let me very carefully, I am a new member on the Intelligence Committee. I am learning a lot and I am very interested in your question.

MR. INDYK: That's what they tell you to at the Intelligence Committee. Let's take this one here.

SPEAKER: Thank you very much, Senator. My question is that India has been a victim of terrorism across the border from Pakistan for the last 30 years and still today it is not India to (inaudible) the United States. The Afghani Network is now being -- I don't have to tell about this. Everybody has spoken about this from the State Department to the DOD to the Senate and you've had hearings. India is being surrounded by the rogue nations today. If you were the Prime Minister of India and (inaudible) from China and the warnings from China and (inaudible) from Pakistan, if you were the Prime Minister of India today, what would you do, sir?

MR. INDYK: Should we take a few more questions?

SENATOR WARNER: I'm not sure I'm going to answer a few more. Let me say this. I think Prime Minister Singh has shown remarkable, remarkable restraint, and that the Indian government in light of some of the not one but multiple acts of aggression has acted with a level of restraint and class that is commensurate with the best traditions of India.

MR. INDYK: Yes, please.

SENATOR WARNER: That was pretty good.

MR. KADIAN: Senator, I am Rajesh Kadian, a fellow Virginian, and you didn't mention that you actually held the first open house for India-Americans and I was among the multitude who attended.

SENATOR WARNER: Thank you. Ranvir will not get to introduce me anywhere since he didn't include any of those.

MR. KADIAN: Since you met the chief of PACON this morning, my question is where do we see port calls for our ships, U.S. naval ships in India, and where do we see the role of nuclear-powered engines for ships, that's something that we specialize in in this country, as an export or as a collaborative venture with India? Thank you.

SENATOR WARNER: Two very good questions. I didn't ask either of those to Admiral Willard, but what I will do is we didn't ask specifically about port calls. Do you want to add anything on

that, Martin? And on the nuclear-powered ship, I would like to get you a specific answer. Rather than me just trying to give a political answer, let me get you specific answers on both of those. I'll take one more.

MR. BOUTON: I'm Marshall Bouton from the Chicago Council on Global Affairs. Even though it doesn't count as a secondary city, I share your enthusiasm for getting more of these conversations beyond the Beltway and beyond New York.

The civilian nuclear deal was advertised and while it's not been consummated fully yet, it's advertised as a critical breakthrough in the relationship, taking us to a whole new level of trust and potential partnership. Can we go the rest of the distance in this relationship in the incremental way that I think Mr. Kenoria was suggesting is at least necessary now? Or do we need another big breakthrough, and if so what might it be, such as some kind of joint strategy on dealing with a failing Pakistan?

SENATOR WARNER: The Pakistan relationship is clearly one of the most delicate in the world, not just U.S.-Pakistan but obviously my sense is that India has so moved on to the world stage that Pakistan is still focused on a neighborhood battle. But thinking that there will be the breakthrough that this next big transformative step would be around the Pakistan issue, I think that is doubtful. I do believe there is still, and this is again where I come back at least in my mind to the friendship versus partnership, I think there is a lot of work still to be done on nuclear. We have the announcements, we have press conferences, but I fear at times that we have governmental bureaucracies that may not always get the message down from the political leadership that, yes, we actually want these things to happen now. Part of what at least we can do from the U.S.-India Caucus is to help be that active nudge on our side to move these grand bargains into real specific partnering arrangements and I think we've got a lot of room.

I do think the idea of some other grand event that has another big leap forward is a very intriguing idea. I just am not sure it's going to be realistically around Pakistan. But a very, very good question. I'll take one more and then get out. Although this for those of you who are wannabe politicians, for future politicians, it's always the last question that gets you. Martin?

MR. INDYK: We got to take a safe one from Garry Mitchel. You got to keep it short, Garry.

MR. MITCHELL: Senator, thanks. I'm Garry Mitchell. I write "The Mitchell Report" and my question is this. The thrust of your remarks was about a sort of three-legged stool building the

relationship, the commercial ties and defense and intelligence and the immigration and visa question. My question is what do you suppose if a group that was meeting today were a group of people in India who were talking about what it's like to do business with the United States? What would be on their short list? What are the two or three things that make it most difficult to deal with the United States of America today?

SENATOR WARNER: Good question. I would imagine that one would be around some of these issues around tech transfer, that I thought we were friends and why can't we get access to some of these tools that these other countries get that don't seem to be nearly as good friends of the United States. Number one. Number two, and I think this has not got the same level of anger around this issue as there was maybe 4 or 5 years ago, but kind of a defensiveness from some Indian businesses who are doing outsourcing, that why are we being demonized in the American press when all we're doing is working for an American company? One of the points I've always tried to make is one of the ways you can defuse that is if you've got three operations in India, put an operation in the United States as well. Don't put it in Northern Virginia. Put it in an area that's going to make a difference.

The third in terms of frustration, I'm sure my friends from FICCI could give me the next 10, let me make a presumptive comment that probably I shouldn't. I think for a mid-sized Indian company accessing the United States, it's almost culturally easier business they've got friends, relatives or ties in the United States to help navigate. That mid-sized American business in Iowa may not have that same both tradition of accessing India and the inability to kind of sort through the cultural -- and part of our challenge ought to be if we're going to really develop customers on both sides of this, we need to build up that relationship for that mid-sized business in Des Moines.

MR. INDYK: Senator Warner, thank you very much for sharing your views and time. I think you've educated all of us and we now understand even better how important it is that you succeed in your efforts.

MR. INDYK: Thank you, Martin. I thank all of you. And my 95-percent thanks to Ranvir. Thank you all.

MR. INDYK: Thank you.

SENATOR WARNER: Let's take Brookings and let's take FICCI on the road around the rest of the country. Thank you all.

MR. INDYK: We're going to take a 5-minute break and then reconvene for our global session. Thank you.

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MR. INDYK: Thank you for joining us this afternoon. As I think you're all aware, this is the 2011 Strategic Dialogue on U.S.-India relations that is co-hosted by Brookings and the Federation of Indian Chambers of Commerce and Industry.

I'm delighted to share the panel with the Secretary General of FICCI, Rajiv Kumar, who has recently taken up that post, and so I want to take the opportunity to congratulate you and say how much we've enjoyed working with you in the past and look forward to a very fruitful partnership, seems to be the word today, in the future.

You'll have to excuse me if you see me following through with that Brookings tradition I referred to earlier of eating and talking at the same time, but I didn't get a chance for lunch.

We have a very interesting, I think, panel this afternoon to start us off with the afternoon sessions in which we will be looking at the question of Indian and American perspectives on global governance. Global governance is particularly important as we see a new global order taking shape in which rising powers, in particular India and China, take their rightful place on the world stage alongside established powers like the permanent five of the UN Security Council, notably the U.S., the EU countries, and Russia.

And it's, I think, critically important to the United States, in particular, as we try to help shape this emerging global order, that we find a way to coordinate and cooperate with India as one of the critical rising powers. For India it's not a natural situation for it to engage on the world stage in a way different to its traditions as a nonaligned state. And so to discuss this we're going to have an opportunity to hear from Swami Aiyar and Bruce Jones. Swami is with the Cato Institute, a distinguished economist. I believe you've got his bios in the program details you've been handed out so I won't go spend time on that. And Bruce Jones, of course, is the director of our Managing Global Order Initiative here in the

Foreign Policy Program at Brookings.

So, Swami, if you would like to lead off and then we'll have Bruce respond and then we'll have an opportunity for open discussion.

MR. AIYAR: Okay, we are in an era of globalization, globalization requires massive global governance because there are international public goods, so to speak, and when international public goods are required in an era of globalization, you require organizations to regulate the supply of those international public goods.

The U.S. and India are both substantial people in this globalized economy, which Tom Friedman thinks is becoming flat, so we have a common interest in having strong global institutions.

The second thing that we have in common is there is this -- I spoke about this in the earlier private morning session -- if China is rising and China is rising to the point of becoming a superpower and posing military threats, how do we prevent it from moving from assertiveness to aggressiveness? One way is that you bind China by bringing it into the global multilateral institutions in such an enmeshed manner that automatically it reduces its ability to act aggressively, because it would hurt itself if it attempted to hurt others in this particular thing.

I mean, if India tries to make a deal with China, you know, they won't even take you seriously. If the ASEAN region tries to do it, it can't be done at the regional level because China regards itself as number one, but at a multilateral global level, it is possible to get China in.

But the analogy that I gave is that the United States in 1950 after the end of World War II was completely the dominant global super power. It could have said I'm just going to unilaterally throw my muscle around. No, it said, I don't want the anarchy of the period between the two world wars when there was no rule-based community, so the United States went out of its way to create the multilateral institutions like the United Nations, the World Bank, the IMF, GATT, and so on. In the same way, I think we need to tell China that you are to become a superpower, but it is in the interest of a superpower to bind itself down through a multilateral framework. So, we need to work towards this particular thing.

So, when we say what are the global institutions in the Indian perspectives, I don't think India should be taking a narrow, Indian perspective. It needs to say we need to take this larger global perspective and if within this, one of the areas, as you know, how do we prevent -- how do we take

advantage of China's positives without getting into its negatives? We need to get into a much stronger system of global governance through multilateral institutions.

Equally, I think, you know, if India asks, it won't be taken seriously, if the United States tries to hammer China in various ways, it will be taken amiss, there will be a loss of face, but there's an entire global organization saying, come aboard, you help set the rules, we'll give you a place at the high table in all of these things, then it can honorably agree to be bound, because it has not been forced upon it and it's coming with a sense of dignity and a sense of honor.

So, you need to -- you can then contribute to the framing of the rules, the United Nations, WTO, the Basel Agreement on Finance, Law of the Sea -- many, especially on the Law of the Sea and sharing of global waters. We desperately need to curb China, as far as India is concerned. We are worried, certainly, about what's happening to our maritime traffic. One of our ships in the South China Sea was challenged by China saying, you know, you're entering Chinese waters. On river sharing we are still worried about what's going to happen to the Brahmaputra if China builds a series of dams, so we need to bind China -- and there's no point asking China bilaterally. China will be bound only as part of a global rules framework, that's the kind of thing we need to go for.

Okay, that's one part of it, but as I said, there's the larger issue of how are the global governance institutions to be improved to best suit our needs in India and for global reasons? One is the WTO, the World Trade Organization. Now, this has done (inaudible) work, actually, in binding China. I mean, as long as China was outside it found it extremely inconvenient that (inaudible) any of the United States could refuse it trading privileges, so it gave up a lot of its internal freedoms in order to join the WTO because it saw the value of the WTO and it said, okay, let's join the WTO and that's a good model to go further ahead.

But how do we integrate China or how do we go further ahead on this? There is a paper coming out by Arvind Subramaniansuggesting that we junk the Doha Round and go for a China Round. It's an interesting idea, I'm not sure it will get anywhere. The point being made is as follows: in the 1970s, the GATT went for something called the Tokyo Round and one of the aims of the Tokyo Round was to say, look, Japan is coming up as this major new superpower. How do we better integrate Japan within that entire WTO network? And they had a Tokyo Round. It was not limited to Japan alone, there

were a large number of multilateral issues, but you saw the point of it.

In a similar way, they say, maybe we should go for the China Round of the WTO as one of the issues -- one of the ways of improving global governance, especially China would have a strong interest, I think, in joining the Global Procurement Agreement.

Right now there are a limited number of WTO countries have agreed -- their own government procurement, it will be open to other governments. China is a potential large supplier in that and could be drawn into it as part of the pride of binding itself in the global situation.

So, that's one area of interest. Okay, now we come to the IMF, we come to the World Bank, two institutions. The IMF, I would say, desperately needs reform. (Inaudible) enough, in the current Euro Zone crisis they do good. Suddenly the equivalence of the World Bank and IMF has disappeared. The IMF is seen as extremely important because they quadrupled its resources and it's very much in the center of the Euro Zone discussions. The World Bank can't even get a foot into their door. I mean, it doesn't matter. In fact, the World Bank has got (inaudible) says, that, you know, it hardly matters even in India, even though it's lending a record sum in India, incidentally, it's lending (inaudible) about $5 billion a year, but India remittances from overseas (inaudible) $55 million. Foreign direct and portfolio investment is $60 billion. India's commercial borrowings have brought us $60 billion. So, you know, the World Bank has just ceased to matter even in India.

But first the IMF. It is a disgrace that this remains dominated by European institutions. It was always a disgrace. It's even more of a disgrace now that Europe is very clearly no longer a major financial power. It is a power in such difficulty that you have the ridiculous spectacle of the Italian Prime Minister going out to China and saying, can you help us out by buying a few Italian (inaudible)? I mean, if this is the state of affairs, there's something desperately wrong in this being something under European control.

One of the consequences, I find, is that we now have -- you know, there was the talk of saying Europe should no longer be -- there should be a non-European or non-American, but, hello, Christine Lagarde -- I mean, we get a French IMF director. And not only that, but a politician.

SPEAKER: But a woman.

MR. AIYAR: Huh?

SPEAKER: A woman.

MR. AIYAR: A woman. Okay. I am not sure that compensates for being French and politician. But I mean, just look at what's happening. The IMF is supposed to be set up for the whole globe. I saw an article by Mario Blair pointing out today 80 percent of the entire resources of the IMF have already been earmarked for Europe. I mean, this is not how it's supposed to be. I mean, the problem in Europe is fundamentally a European problem, they are rich countries, they have the internal resources. If you hog up all the IMF's money, what happens if the Euro Zone collapses tomorrow? At that point, suddenly the IMF doesn't have money for everybody else because, you know, it's committed everything to Europe. I mean, it's just wrong what's happening out there and this is a clear case of favoritism.

It's equally true that the kind of conditionality that the IMF is putting on Greece or the others is not remotely as strict or strong as it would have been on other third world countries. I mean, the IMF was called into Europe as a kind of tough cop, and excuse me, one year later not one single Greek civil servant has been sacked. Although in the private sector they are losing 1,000 jobs a day, and not single entity has been privatized although they were supposed to raise $50 billion. I mean, if this is the kind of tough IMF discipline on Greece as compared to what it did in Europe or somewhere, I mean, what kind of organization are you running?

Okay, so that really does need reform. We need much, much large shares for other countries. It would be a perfectly good idea, I think, for China to get a very substantial shareholding out there. Certainly, the Europeans should cease to be in charge and the Chinese should have this bid dangling that, you know, you bind yourself properly and you know you can become head of the IMF at some point in time.

Even better, I would say, you can become head of the World Bank at some point of time because the World Bank is becoming less relevant for everybody. China has funds, China is now capable of becoming a donor, it's putting money there. Secondly, you know, the importance of the World Bank is shrinking. In due course, in another 15, 20 years, basically it will become an Africa Development Bank because other people are going to stop borrowing from it and China has some interest in developing African resources, so fine.

So, you know, you can dangle all these bids in front of China that, you know, we need to change the ownership pattern and the control pattern of these institutions, and China should have a much bigger role.

We have to -- we have this new thing called the G-20, so this was supposed to be the way the rich nations said, okay, we are going to recognize a shift in global power. Instead of having the G-7, now we have the BRICS and various other guys, and so now we have the G-20. Does this really make very much of a difference or does it channel world governance? I'm sorry, I'm a complete skeptic. I was very excited when the G-7 was first formed then I soon discovered that most meetings of the G-7 were a complete waste of time, they really achieved nothing. I'm sure they had very good French wine and French cuisine, but beyond that I'm not quite sure what it achieved. It could be argued that the Louvre Accord and the Plaza Accord on managing currencies in the 1980s was something they achieved, but beyond that nothing very much happened.

When the G-20 came together it was called at a time of major crisis. Because of this global crisis they said, we need coordinated action on a fiscal stimulus across all countries, and additional contributions to triple the IMF kitty. So, that particular job got done. And people said, ah, now this organization's going to coordinate everything, and then they said, we will coordinate the exit out of the financial stimulus and that's turned out to be -- I said that's a bad idea, every country should be going its own way, and that's how it's actually gone.

And so India is (inaudible) fiscal stimulus, and America, Obama, is just going to produce one more stimulus, so forget this coordinated action. From time-to-time, if there is a crisis, maybe the G-20 will get together and, you know, if there's another recession it's quite likely, you may once again say, okay, let's have a great coordinated stimulus among all the countries, but frankly, every country will be doing a stimulus to save itself, not to save the world. We shouldn't exaggerate just the role of the grouping.

Where do we go beyond new areas of global agreement? I think one that you probably should have, and by and has good prospects is something on tax evasion and tax havens. And the United States is really worried about the revenue that it is losing, black money and income (inaudible). India, in India, this is one of the biggest issues right now of how money can be sorted away in tax havens

and in offshore accounts of various kinds. Well, the truth is that if you look at these haven, I mean, some of them -- even to call them countries is almost an exaggeration. They're little rocks in the Caribbean or in the Pacific or the English Channel and they have the pretense of being countries only because all the tax evasion that goes in there gives them enough revenue to put up this particular thing of independent -- and, you know, I don't think it should be too difficult to crack down on these guys and get to a much higher level of transparency, a much higher level of disclosure, and I think this is something that is going to come and we should be going full speed ahead on this.

Equally, I think we need much stricter global rules on banking and accountancy standards after the collapse that we saw in the financial crisis. The bankers are getting together to form something called Basel III Rules, which are still quite weak, which have still been put off by many, many years, which still does not deal with the shadow banking system, individual countries are protesting. You have a situation where the Bank of America here is protesting that these are rules meant to protect smaller banks in Europe and to down the larger banks in America. So, you know, it needs to be sorted out. Equally you need to sort out the accounting standards. The truth is that you would not have got into this financial mess if Lehman Brothers, if everybody else had been forced to a proper accounting standard where they declared their fragilities. You would not have gotten into this situation, so in some sense the problem of Enron -- Enron had various off balance sheets and you fiddled it around and you didn't know it was collapsing until the day it happened.

The similar kind of thing was happening in Bear Stearns and Lehman Brothers. So, we do need new rules on accountancy standards and on banking.

Finally, I think there is the issue of climate change. Do I have a minute?

MR. INDYK: One minute.

MR. AIYAR: One minute. Okay. On climate change I'll simply say, you know, we've had two different points of view but both amount to doing nothing. The Americans say we won't do anything unless China and others do it, and we say we shouldn't do anything, because we are so far below in per capita terms, until we come up. I think we now need to sit back and just look at the new evidence that's come. The IPCC had these projections, six possible scenarios from 2000, but you know, ten years have gone. I keep saying, why don't I see a chart showing how the actual ten years compares with those six.

The one part I saw was a shocker, that the warming has been much less than any of those six scenarios.

Now, I don't want to go into -- I mean, I find that the scientists are in denial and they quickly come out saying, oh, we forgot how much sulfate is being put out by China and they re-fiddled their models, so they changed their models to fit the data instead of saying that my model is wrong.

So, all I'm saying is that in my view we need to have a second look at what exactly is happening on global warming and not get fixed to the scare that came out of the first IPCC. Thank you.

MR. INDYK: Thank you. Bruce?

MR. JONES: Thanks. Well, I start from a very similar point to Swami in that I think it's abundantly clear that the United States and India share a deep interest over the long term in both protecting and, I would argue, adapting the international order and its key institutions to accomplish several core global order and global governance goals.

I would put it slightly differently. I think in the first instance the goal has to be to say to keep all of the powers, established and rising, bound to a rule-based system, right, and the phraseology matters because if we're talking about China, if we're talking about other actors, and sort of binding them into a system, we have to be clear that we have to rebind ourselves to that system if it's going -- if that approach is going to succeed.

Second, and Swami talked about this, to maintain the strategic and systemic underpinnings of the global economy on which both of our economies now deeply depend.

And then at the sharp edge of things, to ensure that no single actor can undermine the global system, whether we're talking about a single actor at the global level or a regional actor trying to disrupt within the region but with systemic consequences, an Iran or something in these kinds of terms. And I think there are deeply shared interests there.

There are also important differences of view and differences of history and differences of policy and I think you see these articulated and particularly around the questions of the role that democracy should play or should not play in international politics, on the approach to development, on the approach to human rights, and in particular, and most acutely, on the question of intervention around the issues of democracy and human rights, and I'll come to all of those.

So, there are differences, but there are also deep underlying shared interests.

I do not see, at this stage, a great deal of dialogue between the United States and India on these global issues. There's an intensification of the bilateral dialogue, that has not yet encompassed these global order questions, and I'll come back to that point. I will try to illustrate some evolution in this thinking and because Swami has concentrated on the economic side, I'll concentrate on the security side of things.

I think we've seen over the last several years, at least since the tail end of the Bush Administration, the beginning of the Obama Administration, the relationship on global security issues has gone through two phases and now needs to move into a third.

The first phase I would describe as the first blush of romance, lots of excitement, lots of enthusiasm, exaggerated expectations, and a great deal of sort of energy going into the question of building a different kind of relationship and encountering each other, U.S. and India, inside global security institutions. And there are several episodes in this first blush of romance. I said I'd concentrate on security institutions but I do think it's important to touch, again, quickly on the G-20 and the interactions between Obama and Singh in both the London and the Pittsburgh meetings of the G-20, which communicated, and certainly to Obama, that Singh was a very serious and very credible actor, a force to be reckoned with, even if the kind of -- the big spending and the response to the stimulus with United States and China and others, the advice and the insights and the kind of the statements that Singh made within the G-20, I think fostered that sense between the two leaders of a partnership that could work and a kind of seriousness in the engagement.

The second point in the early romance, I think, were the Indian votes in the governing board of the IAEA to refer Iran to the Security Council. So, this was an issue which would be very contentious within non-aligned politics, and in international politics as a whole, and as the United States put a huge premium on the question of managing the Iranian file, there was a great deal of question about whether or not India would vote in that direction or against that within the governing board of the IAEA, and the fact that India chose to vote to refer Iran to the Security Council was seen by the United States as a really significant policy move, not just because of the specifics of the policy, because it seemed to indicate that India was evolving its sense of self interest away from some of the (inaudible) of the G-77 and the non-aligned movement towards a strategic view of the world that the United States could relate

to. I'll come back to this point as well.

And the third place where the romance was quite heated, in away, was at the UN where at the level of perm reps and at the level of the missions, there was quite a sustained and deep engagement certainly during the first part of the Obama Administration and with your new perm rep in New York, and where the United States' first policy imitative at the UN was to resist something called the UK-France Initiative, which without boring you on the details, the UK-France Initiative was designed to pull decision-making power over peacekeeping back towards the Security Council and the P-5 away from major troop contributors. And the United States said, nonsense, we're much more interested in having a serious dialogue with India, which for -- you know, actually maintains peacekeeping in a credible sense, than with France, which doesn't really do much on peacekeeping anymore, and so resisted -- actively resisted the UK-French Initiative and pushed for a set of arrangements that have led to, in a very concrete sense, much more engagement with troop contributors in the formulation of peacekeeping policy and doctrine at the Security Council.

And I think that episode, that also sort of resulted then in subsuming important policy initiatives that were taking together, for example the United States and India worked together to insert into peacekeeping doctrine, for the first time ever last year, references, as a matter of doctrine, to the protection of civilians and the kind of responsibility to protect kind of the language that's out there, which was resisted by China, resisted by Russia, resisted by Indonesia, by Pakistan, et cetera, and the United States and India held firm on that and together worked the language through.

And that episode, I think quite apart from it's specific importance, reflected two things to each other. To the United States it again seemed to signal that India was willing to break from some of the (inaudible) of the G-77 and the non-aligned movement, to kind of stand up for what they would view as responsible policy issues, and from the Indian perspective, I think, it also signaled that the United States was not always going to protect the institutional prerogative of its old allies and was, in fact, willing to sort of work within institutions to open up space for India and for rising actors and to see how things could be rebalanced.

So, that was the romance. Then comes the second phase, which just happens to correspond -- I'm not drawing causality here -- but it happens to correspond with India's tenure as an

elected member of the Security Council, and that second phase I would describe as disappointed lovers. So, after that first blush of romance and enthusiasm we see real differences of policy inside the Security Council coming very much to the fore, and of course this has been primarily around the question of Libya and the use of force to protect civilians in the Libyan case, and this has led to serious disappointment on the U.S. side about India, and serious angst on the Indian side about the United States reflected in a series of very sharp exchanges in the Security Council, exchanges that I would say frankly go well beyond the norm of what's sort of normal for China or India, (inaudible) China or Russia, United States, in their disagreements, et cetera, on the floor of the Security Council, quite personal attacks on the United States by the Indian mission, quite heated exchanges on these issues in ways that have sort of, I think, exaggerated the importance of the episode and made it sort of reflective of a disappointment in the larger relationship on global order issues.

And that's despite the fact, as I frequently try to point out to people, three days after the United States and India voted differently on Libya, they voted exactly together on responsibility to protect in Cote d'Ivoire. India was extremely helpful to the United States in getting Syria to stand down (inaudible) for the Human Rights Council.

So, the kind of tough episodes that highlights the differences doesn't stop the fact that there are still lots of things that are happening which are productive and cooperative, but it sort of illustrated the differences and puts them, you know, put a lot of emotion around those differences. And, again, I think it has the kind of tenure of disappointed lovers, right, the kind of exaggerated expectations of the first phase and then the disappointment that comes.

I'll wrap up quickly.

This has led to a kind of deepening -- hardening of positions in the United States -- I can only comment on the U.S. position here -- a hardening of positions against, for example, bringing India into the Security Council on a permanent basis, despite what Obama said in Delhi, which was said for domestic reasons, not because we actually meant it -- despite that. It's led to a hardening of positions against this, a sense of, ah, look, when they come in they'll show their true colors and they'll still be the non-aligned movement, this kind of stuff.

I think that's a fundamental mistake by the United States, but it's where the relationship is

inside the global security institutions right now. To move out of this and to get to a kind of better phase and get back to those shared deep entrusts over the longer terms, I think we have to move from this romantic flirtation to serious dating. We have to get into a serious courtship, a deep and intense policy dialogue with one another, a debate where we disagree, but a recognition that, okay, we will disagree on some issues, but we have to accept as a kind of basis for moving forward that we are each going to be important to the management of these issues in the international system, and we have to be willing to work through and resolve our differences and find ways forward within institutions, within the bilateral framework as well, and connecting the bilateral relationship to the questions of global order and to the questions of our roles within the global institutions, I think, is the essential basis for moving past this sort of over-excited, over-exaggerated expectation of one another to a more sustained effort to protect and to adapt the global institutions to the challenges that are coming.

MR. INDYK: Great. Thank you, Swami, thank you, Bruce. I think we got this conversation off to an excellent start.

We're going to go to the audience now. I will drop my constraint that I imposed during the previous session because we do want to have a conversation, so you're welcome to actually make a comment, not just ask a question, both will be welcome as long as they are short and preceded by introducing yourself.

So, please wait for the microphone and who would like to go first? Yes, please. Can we get the microphone up here? Do we have a microphone? I guess the microphone is coming. Why don't you stand and speak loudly?

MR. SINGH: Atul Singh. I'm the founder and editor of The Fair Observer so, I'll go straight to the question. The question is this, that what you see in both India and China is a huge growth spurt going on and India, in some ways, is perhaps not as deeply enmeshed in terms of direct trade volume, but culturally the Indian business elites are increasingly trained here and American businesses are also very familiar with Indian business and you have a very close relationship between Silicon Valley, especially, and Bangalore. So, how do you see the increasing business ties of these two countries intermeshing and influencing foreign policy?

MR. INDYK: I'm going to take a few comments before I go back to the panelists. So,

yes, please. Down here.

SPEAKER: Thank you. (Inaudible). My question to anybody who wants to answer, how India can compete with China today and tomorrow. Thank you.

MR. INDYK: Anybody else at this point?

SPEAKER: I just have a small question I think both our Indian friends and our American friends can answer. This debate on India being in the UN Security Council, as Bruce mentioned, has taken very distinct overtones in the sense of whether American wants it to there, whether India wants to be there or not. I think my question is relatively straightforward. From an Indian point of view, is India ready to be in the Security Council in the sense that there are tough decisions to be made; there are tough choices to be made. India has, in its foreign policy, been relatively reluctant to make those choices. The question is would India not face enormous consequences and costs of being there at this particular point in time when its energies would be better focused elsewhere? Thank you.

MR. INDYK: Yes, please.

SPEAKER: (Inaudible), American University. My question is addressed to Mr. Jones. What you said about the current diversions between hope and reality, exaggerated expectations and then disappointments, characterizes the entire 70-year history from the late 1930s to the present day between India and the United States. We have done this administration by administration and the disappointments and the expectations are equal on both sides. I can give you all the Indian disappointments too.

My question to you is how do we overcome this, particularly in the United States, which at least the way I see it, as many other Indians see it, tends to be rather more emotional and more demanding than necessary?

MR. INDYK: I want to add my two cents worth if I might. The first point is about Syria, which Bruce didn't mention, but is another example of a divergence between the United States and India where I think there's a certain feeling of -- perplexed feeling in Washington as to why, when the Syrian regime is so brutally repressing its people, and engaged in such horrendous acts against its own people, that the Indian government would be somehow, particularly in the Security Council, standing by the side of the Syrian regime, especially as a fellow democracy. It just is something that Washington doesn't understand.

When I was in India just a couple of weeks ago I asked this question, I asked people there in higher positions of power to explain to me what was going on here, and the explanation seemed to be a combination of, first of all, a concern for stability over chaos in west Asia. That was kind of ironic because that used to be our preference as well for a good four decades when it came to the Middle East. Secondly, a kind of stasis in Indian foreign policy, decision-making, that is to say a kind of continuation of status quo policies at times when there were so many other things that the government had to deal with, but the third one -- third explanation was simply that you, the United States, don't explain to us what you're trying to achieve there and why we should support you when you turn against the Assad regime, and that across the Middle East in general you don't talk to us about what you should be doing.

So, I just kind of lay that on the table if either of you would like to respond to that.

Who would like to go first?

MR. AIYAR: The first question, I mean, how do business ties drive foreign policy, well, it's been the driving factor. I mean, right through the Cold War, India and the USA were in some sense, not in the same camp, almost in opposite camps. Nevertheless, the United States was India's largest trading partner. The number of Indians migrating here, the number of Indians in universities went up and up and up and when the Cold War ended the thing blossomed, but still not that much. I mean, only when India got this 8 percent growth, which was basically done by the Indian private sector, only -- at that particular point India became sufficiently important for President Bush to take note of. Some people will also say that it needed the nuclear explosion, maybe, but that wouldn't have done it. You know, North Korea has also had nukes that said by itself doesn't do it.

What has moved is the fact that the Indian business has moved to this extent. In some sense, even when the two countries were at loggerheads during the Cold War, actually business to business and person to person ties were galloping upward at a great pace and once the Cold War came to an end, in some sense the governments are catching up with the people, and once India got to the 8 percent growth, the time became ripe for something to get better.

So, I would say there's an absolutely huge impact that businesses had on the ties and we would not be where we are today -- we wouldn't be having this seminar but for the role of business.

Second question as to how does India compete with China today and tomorrow, well,

we'll just have to do better than them. I'm afraid we are not doing that very well, they have certainly grown faster than us. There are 1,000 blocks in India. I mean, currently there is this focus on misgovernance, corruption, black money, all of which is true, and that by itself is not everything. I mean, if you just look at the doing business theories, I mean, India is 134th in ease of business out of 183 countries. For getting construction permit we are 177th. For ease of starting a business, 163rd. For enforcement of contract we are 182nd out of 183 countries. So, if you say how are we going to compete with China, for God's sake, get your act together in many of these particular basics, otherwise don't pretend -- I mean, the -- you talk about India's miracle rate of growth, I say the miracle is that we are having this rate of growth despite such misgovernance.

Is India ready for UN Security Council membership? You know, China has been there. You can be a Security Council member and yet as Deng Xiaoping said, you take a low role, you observe, you come in only at critical points; you use it as much for learning and for building, then for asserting yourself. I mean, India is ready to that extent. It would be a terrible mistake for India to throw its weight around.

As I said, people are saying, you know, how are you going to exert your control over Middle East or Far East. I said, excuse me, why don't you first of all improve your control over your (inaudible) areas, over your northeast, over your Kashmir. I mean, we need to -- we have so many weaknesses internally, we need to focus on that before getting into, you know, how do we influence much, much larger things abroad.

But because of our size and because of the way the economy has grown, yes, get out there but play a low-key role the way Deng Xiaoping had suggested for China.

MR. INDYK: Great. Bruce.

MR. JONES: Yeah, I had a long section on Syria in my notes but I cut it in the interest of time, so thanks for asking the question.

Let me make a critical point and a sympathetic point to India on these issues. I mean, on the specifics of Syria, I do think that India's position is totally untenable. I mean, India is a stronger protector of Assad right now than either Cairo or Riyadh. How you work that position is (inaudible) to me, and I think that one of the -- and it goes to the -- is India ready in the Council. One of the things that's

interesting in watching countries coming into the Security Council is that it actually imposes a very serious discipline about the credibility of the arguments you use to sustain your position. You can take whatever position is within your national interest, but if the arguments that underpin them are weak, that is exposed very readily and it exposes the country to a kind of considerable criticism and weakness as a function of not being able to maintain a robust position, and I would say that that characterizes India's position on Syria, and to a certain degree on Libya.

That being said, if you take the broader policy question of should the Security Council use force to intervene to protect civilians, then I think we have to also look at some of the weaknesses in the United States' argument on this. We have been profoundly hypocritical on this policy issue for a very long period of time. India's perm rep is quite adept at pointing out that if you genuinely care about protecting civilians, you would use all the policy instruments available to you. By any conservative measure peacekeeping has saved hugely more lives than military intervention. India has put 100,000 peacekeepers into peacekeeping since the end of the Cold War; the United States has put 57.

So, before we get all headed up about sort of how dare you take this stance, there's scope for some mutual criticism here and some mutual debate, but on the Syria issue I think India's position is very weak.

I sort of touched on whether India is ready, but I thought that Swami's answer was very good on that in the Council. You know, other states have come onto the Council in a non-permanent seat and discovered that there are real costs. In the Mexican Foreign Ministry, for example, having been on the Security Council during the Iraq war, the kind of feeling inside the Foreign Ministry now is they will never seek a permanent seat on the Security Council because the costs are very high. And think about what India's going to have to do if it comes to the question of Palestinian statehood. Are you going to vote and antagonize the entire Arab population or are you going to vote and antagonize your strategic relationship with Israel? These are significant dilemmas that will be confronted and the come every day in the Security Council. So, I think it's a very good question.

And then quickly I think there's one answer to the two questions about how do business ties drive foreign policy and how can India compete. I just wanted to use those two questions to emphasize something that Senator Warner said because I think it's underestimated in the current debate.

He made the point that Indian investment should go out to places that are not yet profiting from globalization. This has become a powerful force in the United States.

There's a lot of focus on the dysfunction within the Senate and the Congress right now. I don't think that dysfunction is really what's happening. I think we're in the midst of a very deep political fight between those parts of the United States that profit from globalization, and those parts that are being left behind by globalization, and there are real winners and losers here. And if what we see in the United States' domestic system is a victory for those forces that want to pull back from globalization and global engagement, the costs will be enormous, including to India.

So, there's a substantial issue there. Investing in those ways to make the case for globalization is a critically important part of foreign policy in those kinds of terms, and on the competition point, which is related, when I look at the international system right now, okay, China can amass huge amounts of surpluses because of the scale of its domestic market, it can have $2 trillion in surpluses, et cetera. Over the long term to be successful in a globalized economy you have to be mobile, you have to be able to transport your products and your capabilities, et cetera, you have to be able to move around, your workforce has to be mobile. The United States is pretty good at that, India's getting pretty good at that. I don't see that in China. I don't see a lot of entrepreneurs from lots of parts of the world wanting to kind of move to China for a long-term basis. I mean, large corporations will go in for market reasons, but India's ability to operate in a kind of culturally nimble and geographically nimble way is going to be a huge comparative advantage and it shares that with the United States. So, it's another reason why I think the partnership is actually quite powerful, and China will have a tougher time, there are language issues there as well.

There are lots of other ways that China can compete with you, but that's one in which India has a comparative advantage.

MR. INDYK: Thank you, Bruce. To close off this session I'm going to ask Rajiv to sum up and comment.

MR. KUMAR: Thanks, Martin. Rather than sum up, because it's very difficult, I'll just make a few remarks of my own which is on this -- you know, global governance and India's role in that, and I think one of the factors which I have noticed is that there is sort of uncertainty in India of its own role

in the global governance for two reasons. One, quite often it appears that India's been brought in on the high table as a foil to China, and therefore it sort of, you know, seems to serve as if it was somebody else's purpose, you know, being there rather than its own, you know, interest, and that's, sort of, you know, that kind of -- you sort of feel hesitant, reluctant, to be there and play that game, as it were, which is not maybe your game.

And the second thing, of course, is that, you know, being a very sort of small player in global trade and global commerce, our share in global trade and global GDP, still very small, you know, 1 percent -- less than 2 percent. We are not very sure of our own interests in a positive sense in the global arena in many places, you know, and we have not been able to articulate them, and so we can't in some sense without that, you know, without that articulation, we can't constructively join hands with others to pursue those interests, you know, which would make us effective player in the global governance thing, and this will happen, this will change, and I think this is beginning to -- you know, that will (inaudible). That's the second reason.

The third point that I just wanted to make is that in global institutions, and here I very often clearly distinguish between the formal and informal global institutions and very often the informal ones -- I sort of disagree with Swami about the G-7 and the role of G-20. I think the G's have played very often a much more important role behind the scenes sometimes than the formal institutions like the Security Council or the UN Systems have played. Now, India has always -- has quite often punched above its weight, you know, unlike what you said about Deng Xiaoping, you know, actually exactly the opposite. You know, the Indians have been very articulate, you know, beyond necessary, (inaudible) sector, so I think what might well happen, and in fact, we take this position in our book, which is that it's a real distraction for India to be going after, you know, global -- positions in global institutions because at the moment the real issue is how to focus on domestic issues and get that right, because that's how you will compete with China more effectively, that's how your ranks will improve from 134 to whatever else, and it's for that reason, really, and it was reported yesterday, and I'll end with that, in the "Financial Times" and in the "Financial Times" that FICCI has launched a campaign called Credible India to sort of say that, look, the Incredible India has been sold, but now what we need to do is produce a Credible India, and actually that's a project that we're going to focus on going the next year, and that, I think, will

produce the basis, the material basis for India to have a better role, a more effective role in global institutions going forward, and that might well make the basis for a more collaborative and cooperative relationship with the U.S.

With that, I just want to thank our panelists for having -- you know, given us this wonderful start, this session, and thank all of you for your participation. Thank you. (Applause)

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MR. KANORIA: Good afternoon, everybody. Can I ask everyone to please take a seat? Thank you.

We come to the session I would say finally on the strategic dialogue and on U.S.-India relationships and we have an excellent panel as has been through the day. Every panel has been absolutely excellent. We have Ashley Tellis of the Carnegie Endowment for International Peace, Daniel Markey, Senior Fellow of the Council on Foreign Relations, Harsh Pant, Kings College and Uday Bashkar of the National Maritime Foundation. Bio data is all with you and we are not going into any introductions. We'll go straight into the session. The same rules apply as have been applying through every session, except that we are going to reduce the 10 minutes to 7 minutes because this panel as opposed to the other panels has four speakers, so we can limit our comments to 7 minutes. I know that we go over time so I'm keeping that leeway in hand. Can I ask Ashley to kick off the discussions?

MR. TELLIS: Thank you, Mr. Chairman. It's a pleasure to be here with you this afternoon to talk about the state of the U.S.-India relationship. Steve Cohen thought that it would be most useful if my remarks today were directed not at the future prospects of the relationship, but to ask the fundamental question that American policymakers have been asking in recent months, and that is whether the U.S.-India relationship has actually lived up to its potential after the epochal events of the last few years.

This question has acquired a certain significance because there is a widespread perception in Washington and I suspect elsewhere in this country that the bilateral relationship has been moving sideways and the aftermath of how the civil nuclear agreement has evolved in terms of liability legislation, the failure of the United States to win the combat aircraft competition, have become at least two of the big poster children for those who believe that the relationship between the United States and

India has not yielded the fruits that those of us who worked to construct this relationship had advertised in the years gone by. And there is obviously a certain sense of dismay on the part of those who ask the question of whether the United States actually paid too high a cost to build this relationship given that the fruits at least as evidenced by these two examples have been somewhat meager.

In asking this question and using these two examples as answers to derive the reasons for dismay, I think one could get the impression that the U.S.-India relationship was driven primarily by the effort to secure access to India's markets. If that is the yardstick by which the integrity of the relationship is to be judged, then of course the relationship has certainly not yielded the fruits that people expected. But I think the presumption of transactionalism which is embedded in this question is dangerous to the future of the relationship, and more than dangerous, it certainly did not reflect the intentions of U.S. policymakers when they set about building this relationship. I think it's important to remind ourselves of what those original intentions were because to my mind, those represent the only sustainable yardsticks by which we can judge the progress of U.S.-India cooperation.

There were three reasons why the United States embarked on building a new relationship with India. The first was the recognition that India was simply going to be a rising power in the international system and that larger U.S. interests would be served by ending a very unproductive 50 years of estrangement. The second was the clear expectation that the United States and India shared not simply values, but fundamentally interests across a range of issue areas in international policies. And the third reason was the recognition that India would be a very vital component in maintaining a stable Asian balance of power if India's strength and if India's capability were to materialize. From that perspective, the U.S. drew the conclusion that American interests would be served if the United States were to help India in material and institutional terms to build up that strength and capability. And everything that was done in the last 10 years going back to the moments when Strobe Talbott who is now in this institution began the first dialogue with India, all the way to what President Obama did when he was last in Delhi, have really been putting the building blocks in place to strengthen India's capacity to grow in power because of the benefits that would provide the United States.

In other words, I would make two arguments. First, if you use these three criteria as the yardsticks by which to measure progress in the partnership, I would argue that we have succeeded

substantially. The estrangement between the United States and India is now a thing of the past. There is a very clear conviction on both sides that there are enduring interests that bind the two countries and we have made great progress in actually working toward how we act upon those common interests. The record is not perfect, but I do not expect the record to be perfect within a period of 10 years at a time when both countries are still feeling each other out and when both countries are still substantially limited by the constraints of their own domestic politics. And by the third criteria that India has been growing in strength and therefore could play the role that we imagine it would play in the Asian balance of power, I think we have made great progress by that yardstick as well, not necessarily because of things the United States has done, but because of the things that India has done and which it will hopefully continue to do.

In other words, I would make the argument that the U.S.-India partnership has actually been far more fruitful than people often think not because India has been doing things for the United States but, rather, because India is well on its way to becoming a resilient and capable power. And if it succeeds in that objective, then that growth in resilience and strength is fundamentally beneficial to the United States and to the vision of global power that the United States seeks to forge as we deal with the challenges ahead of us.

And so the real disappointments that seem to be pervasive in this city and elsewhere today it seems to me arise because it is based on fundamentally mistaken premises. The original vision of strategic convergence risks being replaced by a transactionalism that is quite futile. It fails to appreciate that great transformations are not things that would occur instantaneously but will slow mature and become manifest with time. It forgets that even as India is reaching out to the United States and the United States is reaching out to India, both countries are still constrained by their own histories and the legacies of the past, and while the pressures of necessity will compel them to transcend these legacies, they are not going to happen instantaneously or overnight.

Finally, it is based again on a confusion about what India will be like as an alliance partner and it fails to forget that India will never be a formal alliance partner with the United States and that's just fine as long as the India that we help nurture and that the India that grows in power ends up becoming strong, capable and pursuing objectives that are fundamentally convergent with American interests. So are there risks to a strategic partnership? Yes, the answer is there are risks to a to a

strategic partnership. But those risks to a strategic partnership do not derive from what India does or does not do vis-à-vis the United States. The real risk to a strategic partnership derives from whether India makes the right decisions that enhance its own capabilities or not. And fortunately or unfortunately for us, most of those decisions have to be made back in India itself. So we need to be rooting for India to make the right decisions first for its own sake because if it makes the right decisions for its own sake, it will have done far more to advance American interests and the American vision of what constitutes a desirable order than an effort to buy one reactor or one more airplane from the United States. Thank you.

MR. KANORIA: Thank you very much. Thank you very much.

MR. MARKEY: Thank you, and thanks for the opportunity to address you all today.

The title of this panel is "Areas of Strategic Cooperation Between the United States and India" and as a means to address that issue which is something that I'd certainly like to see improved, I thought I would point out what I would describe as four fundamental challenges to U.S.-India strategic cooperation and I think by focusing on these challenges it may give us a window into how we should prioritize our responses to these challenges, where we should put our energies to improve that cooperation. The four challenges that I would identify are China, Pakistan, development and capacity and I'll speak about each of these in order.

Starting with China, and here I'll be candid. I'm doing a little bit of a riff off of Ashley's recent book chapter in the "Strategic Asia" volume. I think it's unsurprisingly excellent, but I think it captures the logic of what I see as the fundamental challenge to strategic cooperation between the United States and India when you bring China into the mix. The issue has to do with the fact that both the United States and India are dependent upon their economic relationship with China more so than they are with each other and that the weight of that economy tie back to China is if anything increasing, so no matter what the political, diplomatic, moral or other considerations that may draw India and the United States close together, they will both have to remain cognizant of the fact that there is something else that China offers that neither of them right now offer each other at least not to the degree that they have with China. Trade and economic interests with China simply swamp those between India and the United States. So what you see is this tension in the U.S.-India relationship, and you see it in two different ways. You see it in the question of whether if push were to come to shove they could count on each other or whether the

allure of the China market or the hold that China has over their economies and more so the United States I think than India at this stage will win out and this is I think a fundamental challenge to strategic cooperation between our two countries.

Second as I said is Pakistan. Through most of the history of the past six-plus decades, the problem of Pakistan has divided the United States and India but in different ways. You've seen the U.S. tilt toward Pakistan. You have seen the United States hyphenate the India-Pakistan relationship, that is, believe that in order to engage with either of the parties first some spade work had to be done with respect to their regional and bilateral difference and be hamstrung by that belief. So it's only been I would say over the past decade that you've seen a relatively more successful strategy that is characterized here in Washington or has been until recently of dehyphenation, that is, that you could move forward on the relationship with India while at the same time moving forward in a very different way on a very different kind of relationship with Pakistan. The consequence of that actually I think had been quite positive. That is, you saw the United States capable of having leverage with both India and Pakistan and improving its relationship with both countries more so than you had ever seen before and this was a fundamental improvement. The threat to that now is of course the fact that we appear to be veering toward or are maybe already in a rupture with Pakistan and I would suggest that this falls in the category from an Indian perspective or should of be careful what you wish for. The Indian belief that the United States was misunderstanding its relationship with Pakistan has been voiced to me on many, many, many occasions with the implication being that the United States should have cut ties with Pakistan. But now that we're seeing something that looks more and more like that, I think we will all suffer.

The third issue or challenge to our cooperation is development or in shorthand, development. I'm not expert, I'm not economist, but it doesn't take one to recognize that we're just simply at very different stages in our economic development in considerable ways and that this places us, that is, the United States and India, on different sides of some of the central issues of global politics today, that is, trade issues, climate change issues, energy issues and so on. So while there may be ways and I hope there are ways to square these circles, we need to recognize that we do have competing interests and that they are reasonable and rational given the state of economic development of our two countries and the fact that we're not in the same place on these points.

Fourth, the issue of capacity. On the U.S. side, I think that we've always struggled with strategic planning and then by consequence the idea of a strategic partnership or cooperation with other states. This has never come especially easily to us. I think it will be increasingly difficult to pull off in an area as we look ahead of diminishing resources, and how that will play in terms of our capacity to think strategically about India and many other issues as well is worrisome. On the Indian side, they have a very different set of challenges. Here I think the problem comes with India's ability to harness or make use of the increasing resources that may be at hand in its ability to act globally, act internationally. So the question here is whether as the United States feels a pinch in terms of its resources and as India is able to make considered investments in its interaction globally whether they do in ways that prioritize their relationship, and I don't think that's necessarily a given.

Let me make some very modest recommendations on each of these points. I don't presume that I can answer or solve these challenges, but just to point to perhaps some constructive ways ahead. On the China issue, clearly transparency to remove or allay some of the fears, the mutual concerns about in the case of the United States what India may be doing to cooperate with China, what the United States may be doing to cooperate with China from an Indian perspective are absolutely necessary. The idea that the United States was moving toward a G-2 condominium or that India was signaling something dramatic about its relationship with the United States through BRIC summitry is the sort of thing that you can begin to clear the air the more transparent the relationship is.

The second, and this is an even more preliminary observation, would be that because we're both bound to China through economic ties, this has suggested that we are in some ways paralyzed by our mutual dependence upon China in a sense. But of course it's a two-way street and the more that India and the United States can think about their economic leverage with China as something that they can combine and think about as an area of cooperation in their dealings with China, I think the more potential there will be there.

On Pakistan I think we have two potential scenarios looming. If the U.S.-Pakistan relationship really goes off the rails, the area for India-U.S. cooperation is one in terms of defense, of military cooperation, of intelligence cooperation, or insulating ourselves from the consequences of that failed relationship and increasingly of a Pakistan that is veering if not toward failure but toward instability

and perhaps failure. Far better of course given my gloomy prognosis would be that somehow we could pull out of this and that we could find a situation which mirrors more at least in a strategic sense the period that we had seen several years ago of closer to dehyphenation where we can move ahead with challenge and ahead with Pakistan on different terms.

With respect to development, I think again this may be a transparency issue, but it's striking to me in a process sense that the U.S. and India appear not to have made it a habit to collaborate ahead of every major multilateral forum and appear not to have a habit of coordinating their activities at the U.N. on a variety of issues in ways that you would have anticipated by this stage might have become more natural, and although this example is outside the area of development, I think it applies. I'm told that prior to India's vote on the Libya issue, that the United States made a meager effort to reach out to the Indian delegation in New York, that it anticipated that India probably wouldn't sign up to our position and therefore didn't work all that hard to change any minds. If this is true and I'm assuming it is, this is an example of where we could do more for our part and certainly it's a reciprocal expectation.

The finally on capacity. Of course, these kinds of dialogues, formal dialogues, strategic dialogues, are all very helpful and I applaud them. But in order to increase India's long-term capacity for thinking strategically about the world and I've written about this elsewhere, the emphasis really needs to be on building both capacity within its government and without and I would put my finger on the potential for education to be a driver here and particularly in higher education and the efforts that many U.S. universities are making to establish themselves in India. I had heard that there were significant barriers to this and I am more recently told that these barriers are largely illusory and that in fact there are opportunities for U.S. universities to essentially bypass some of the procedural blockages in India and go straight to the states and work with Indian partners to set up campuses, and I would recommend that this is an area where we could really do more as well to promote long-term strategic cooperation in ways that will have multiple payoffs in many different areas, and I'll leave it there.

MR. KANORIA: Thank you very much. We'll go on to Harsh.

MR. PANT: Thank you. Ashley and Dan both have laid out very clearly the conceptual challenges that India and that the U.S.-India partnership faces and what are the risks and what are the opportunities out there. I would be more empirical in the sense that I would take us back to the strategic

dialogue that happened when Secretary Clinton visited India in July and what were some of the issues that emerged out of the dialogue. Before I do that, it's been a long day and a very productive one for a lot of us, but I've been struck by one fact, that in three sessions that we have had, our American friends have told us three things, that India and America are not engaging substantively on China, that they are not engaging substantively on Afghanistan and Pakistan and, finally, in the last session we were told that there is no significant move at substantive engagement on views of global governance.

This is a striking indictment of a strategic relationship in my humble view because if these three issues are not being debated, then what the hell are we talking about? Therefore I go back to the dialogue that happened when Secretary Clinton visited India. She visited India because there was a genuine concern that the relations were drifting and that the relations need to be put back on track. Also I think what she wanted to do was allay some of these concerns that core Indian interests are not being taken into account in Washington and therefore to allay some of those concerns about Washington's intentions vis-à-vis Indian security concerns. It is true that both sides have been struggling for some time to give substance to a strategic relationship or to a relationship that seems to be losing traction in the last few years.

As Ashley discussed, it was the civilian nuclear deal that in a way transcended this relationship to another level and this idea that India's nuclear program was hitherto treated as illegal was finally out in the open, it was bolstering India's legal status, it redefined the relationship altogether in structural terms and bilateral terms. But what has happened in the last few years is some functional and regional issues have emerged that have again become very significant in the bilateral ties whether it's terrorism in the AFPAK region, the nuclear cooperation and India's role in the Asia Pacific. On all of these issues there were significant differences if you look at how the U.S.-Indian strategic dialogue shaped up. First on terrorism, the Secretary promised to lean hard on Pakistan. She underlined that the U.S. does not believe that there are any terrorists that should be given safe haven again referring to Indian concerns that the perpetrators of the Mumbai attacks are still in Pakistan, that terrorists are still being trained and abetted and aided in Pakistan. And while ties between Washington and Islamabad have worsened dramatically since bin Laden was found and killed in May -- still remains worried about the fact that Washington needs to do more. Of course, things have changed in the last few days. We had the

episode of the recent events and the recent outburst in Washington. But still I think it remains the case that from India's perspective it is seen as very tactical in nature, that yes something needs to be done about the terror issue, but from India's perspective this is something that India had been laboring on for the last so many years and yet the issues have not been given due consideration.

The second on the question of India's role in its neighborhood, I think it's Washington's turn to be unhappy. So you had in January Secretary Clinton asking India to exercise political influence in consonance with its great economic weight and exhorting India to lead. She asked New Delhi to do more to integrate economically with neighbors like Afghanistan and Pakistan and to play a bigger role in the Asia Pacific. As the situation in Afghanistan has unraveled and as China's rise has upended up balance of power in East Asia, the U.S. has expected India to help emerge as a regional security provider in its own right. But India remains a reluctant part even in its own vicinity and it has shown little appetite to lead on regional security issues at least at the moment. Its grand strategy remains incomprehensible even to its friends. Its military policy remains mired in bureaucracy. The current government remains paralyzed by a whole host of governance issues. So in that sense you can understand some of the frustration that has been boiling up in Washington about India's inability to lead on regional security issues or to emerge as a regional security provider.

Of course, many in Delhi would argue that Washington itself stymies India's emergence in its neighborhood. The Obama Administration has been giving contradictory signals since it came to power in AFPAK for example. Mrs. Clinton asked India to step up, but President Obama's plans to end America's combat role in Afghanistan by 2014 will leave India with limited choices. Pakistan's Army wants a pliable government in Kabul as we were discussing early on. And at a time when Washington is deciding to move out, India is there to fend for its own security Washington seems to be suggesting, and therefore the consequences are all there for India to bear and how India deals with those challenges again becomes a point of friction between the two sides as the date comes nearer.

As far as China is concerned, again there has been some ambivalence in Washington in signaling India what America wants in its relations with China. Washington has gone from talking of a G-2 to thinking of a more muscular response and this ambivalence has been reflected in India's own response to China and during recent -- it has become more muscular. Third and very interestingly, and I

think it is perhaps the one idea that would transform the bilateral relationship, the nuclear itself, has been facing setbacks. On the Indian side the issue has been India's civil nuclear liability bill, not very popular even I think in the Indian private sector but of course not in Washington. On the other side has been America's support for the NSG's new guidelines for tightening the exports of enrichment and reprocessing technologies. Now again it remains unclear what Washington has been supporting and what it has not been supporting as far as the new -- guidelines are concerned, but as far as India, the argument has been made in India that it could not have been done without some sort of support from Washington. And this goes back to a concern that India has had long back with the Obama Administration's own ideological posturing about the global nonproliferation regime and many in India contend that if this were to proceed, India's nuclear program itself would be threatened because India would be forced into signing the NPT and CTB, et cetera, the same old debates that one thought were out of the picture for a while.

Finally, I think one needs to be very clear when one talks of terms like a strategic relationship as to what we mean, what the two sides mean by a strategic dialogue. What are the objectives here that India has set for itself and what are the objectives that Washington has set for itself in trying to achieve of their bilateral relationship? We tend to hear statements like the U.S. and India are natural allies. I don't think the U.S. are natural allies. I think if they were natural allies, an alliance would have happened long back, but it's a relationship that can be made more productive, and the strategic vision that the U.S. and India have still remains poles apart and therefore you need dialogues at multiple levels to bridge that gap. Again I come back to the discussion that I started from that it is interesting to hear the lament that the U.S. and India are not having a productive dialogue on any of the substantive issues that animate this relationship today. So I think this partnership can only achieve its full potential if the hard security issues that both sides care about are put on the table and both sides are honest about their expectations of the other side. India of course has to do a lot. It has to stop -- billow its weight in Asia and start acting as a rising power as many in Washington would like it to, while Washington also has to understand some of the core security concerns that India has. I'll conclude by saying that while I do agree with the larger conceptual roadmap that Ashley so eloquently laid out, I think that there remain enormous obstacles and given our discussion earlier in the day, I'm not convinced that the two countries are on the right track in terms of harmonizing this relationship. Thank you.

MR. KANORIA: Thank you very much. We'll move on to Uday Bhaskar.

MR. BHASKAR: Thank you. At the outset I think I'm conscious of the fact that I am the last speaker after a very rich day, and looking at this room one can talk about the depth of the deliberations being matched the depth of this very special room at Brookings. I'm delighted to be back. It's been a long time since I've come back to Brookings. And as I said, I'm also conscious that perhaps I'm the only sailor definitely on the panel. Ashley is only an honorary sailor and I don't know about the rest of the audience. Okay. Sorry. We are two sailors. I was advised by our Secretary General, Dr. Rajiv Kumar, that as a sailor perhaps I should try to focus on the maritime domain which I shall do and maybe remind this audience as I'm sure some of you are already aware that when we review the India-U.S. relationship, there are many facets. We have Dennis Cox's now I think familiar book about estranged democracies and the way we have moved from there. But there is a little niche which I think sailors would perhaps revel in which is that if you look at the bilateral, and I stumbled on this when I was doing some work in the early 1990s trying to find the punctuations in the India-U.S. relationship, the Cold War had just got over and I was talking to a few people here in Washington about their recall of the India-U.S. relationship considering that there was no official contact for many years, and I was working at an institute which represented the only contact if you will between New Delhi and Washington. Two things which came up, as I said I was not aware of it, that everyone knows that India figured in the America calculus in a negative way in May 1974 with the first nuclear test, the peaceful nuclear explosion.

But on a more positive note, I gathered this anecdotally, that India came up for the equivalent of a favorable comment in late 1988. President Reagan was at the helm, and this was a reference to the way in which India dealt with a very sort of mercenary coup that was attempted in the Maldives, Operation Cactus. What was extraordinary so I gathered from Washington was that if you look at the map, and this apparently is what was brought to the attention of the U.S. President, that there was this coup that was being attempted in the Maldives and India, Prime Minister Rajiv Gandhi then at the helm, ably supported by Mr. Ronen Sen who was the Joint Secretary, they dealt with this and dealt with the coup very adroitly. We had two ships in the vicinity. They were diverted, the INS Bias and the Godavry, and in about 24 hours we were able to airlift the paracommandos from Agra. And all this happened in 1988, 1 year before Tiananmen, and India, third world, Cold War, et cetera. So this was one

indicator of India shall we say strategic, nascent but strategic profile which was registered here in Washington in 1988. Fast-forward to December 2004. Bush one, President Bush in the White House, and India's response again to tsunami which as you recall those of you who were on watch in that particular year, it happened on a weekend, Christmas weekend and Indian ships were able to cast off and arrive outside the most-affected areas between 12 to 24 hours. So there were shall we say two instances of India's strategic capability that had registered here and I thought I would perhaps take this forward and look at the India-U.S. relationship in a strategic context and highlight maybe areas that could be identified for possible cooperation.

At the very outset, if you look at the relationship, we've had two views. I think Ashley has given us a very, very I would say inspiring kind of view about what impelled July 2005, and Harsh in turn has pointed out that it's going to be very difficult to dot the i's and cross the t's. My own take on this is that actually India and the United States having spent some time trying to understand the complexities of the relationship, more than defining it as a partnership or as an alliance, I have often veered toward looking at them as two very complex equal systems and that they can complement each other if we have the right degree of managing a complex relationship and that the governments are only one component, that there are various facets to the India-U.S. relationship. There is this large civil society component which I think Swami this point in his remarks that even at the time when the two governments were estranged, you had the first professionals coming from different parts of India in the mid-1970s, and as I said I don't want to go bad details, there are Diaspora experts here. But there is this equal system and that is what I would point to to say that there is a strategic mixture to the India-U.S. relationship and my own advocacy over the years has been that it should not be viewed in transactional terms, that the relevance of India and the United States to each other is existential and they complement each other in a very complex but dynamic manner. We've seen some elements of this being recognized now if you look at articulation on both sides. I will not detain you with what Mr. Vaypayee had once said, but that's Hindi, so those who have a Hindi sort of facility, we can talk about that later.

But I want to make this point that if you review the relationship, there were two points I think at which you saw the way in which it was being transmuted, not transformed, it was being transmuted, and my own reading is that the first was March 2005 when Ms. Condi Rice visited India

before she went to Tokyo, and when I did my homework I always thought that was a very seminal articulation about the vision that was driving the United States in 2005, and from March we quickly come up to July 2005 and finally the fall of 2008 when the nuclear nettle again is very innovatively -- I would say that circle had been squared on the Bush-Manmohan Singh agreement -- not withstanding the problems that we are facing now.

In a similar vein I would like to suggest that inasmuch as May 1974, the peaceful nuclear explosion, takes 31 years, July 2005, the fine print of the civilian nuclear agreement finally realized by a squeak. You come down to the wire, and I can see some of the players who did some heavy lifting over here. The nuclear nettle has been put aside after 34 years, May 1974 to September 2008. In a similar vein, I'd like to suggest that May 2011, Osama bin Laden and the Abbottabad operation, mark the beginning of the second transmutation that is currently on the anvil which is the United States and India being able to review the way in which they have looked at the scourge of terrorism, and I recall distinctly as a track two representative coming here in 1993 and Bruce Reidel was then part of the White House security staff and the way in which the United States I think shared with us their own understanding about the scourge of terrorism and the way we have moved I would say over the last 13 years. So it's in that sense that I'd like to locate the India-U.S. bilateral relationship and draw attention to the context in which this is going to play out.

Again in the morning session I think Swami made this point, that the world is moving toward the equivalent of a tri-polar single economy. One reading says that China has already overtaken the United States to be the world's number-one economy. I'm more conservative. I am going for 2022 which is the figure that's been identified, the bandwidth between 2022 to 2025, when China overtakes the United States to be the number-one economy in the world in actual terms, the United States is number two and India will be a distant third. Yes, you have other economies, today's Japan, today's Germany. We are now quite sure how the E.U. is going to cohere. We are not quite sure about Brazil. But all things being equal, and this morning there was a reference to China's Arab Spring, but all things being equal, India, the United States and China operating on the current trajectories that they are on, it's very likely that you'll have this tri-polar economy, the United States and China being close to each other, China being number one, India a distant third. And this is where I'd like to suggest that this particular world

order, 2025-2022, as opposed to the multipolar formulation which has been used by various commentators and analysts, my own preference is to talk about a polycentric order meaning that to the extent that multipolarity suggests a kind of power grid, I am suggesting a diffused spatial arrangement in which you will have China, the United States and India as three nodes of relevance complemented by Russia, by Japan, by Germany, by a Brazil, maybe an ASEAN depending on how they get their act together, and the real challenge I see which of relevance to India and the United States is the management of this triangle, the U.S.-China-India relationship. And again without going into detail, my most desirable end state in terms of managing this relationship is that we are all familiar with the contradictions, the fact that there are certain tensions in how they relate to each other, but also the way in which they complement each other particularly as impelled by globalization. So to that extent my proposition is that India is in a very favorable position which is that despite the fact that it is suborned both to the United States and in China in every aspects of tangible national power, there is a ceiling in terms of how the United States and China relate to each other and to that extent India can be a very empathetic swing state. This I think is the characteristic that India and the United States need to recognize and see what is the objective they are striving for.

I am an analyst; I am not in government so I have the liberty of outlining a vision which is about a condition of equitable equipoise. That seems like alliteration, but what I mean by that is the Senator when he was speaking this morning from Virginia, he was drawing attention to those pockets which have not benefited from globalization and this is a problem the world over. It's not confined only to the United States. So the end state when we have people from business, we have people from government, we have academics, we have analysts, we have people in gender studies, how do large states like India, China and the United States arrive at this Holy Grail of equitable equipoise and in that I believe that India would have a role to play? Much of it will be how do you manage China. This morning we spoke about the rise of China and what does it mean. Again this is not rocket science to say that both India and the United States would have to engage with China while at the same time being able to manage its rise in a way whereby China is encourage to conform, to comply with rules and norms as we evolve them. To that extent, my second proposition is that the nature of the triangle, India, China and the

United States, would be predicated to a very large extent on the manner which they understand and relate to the extended commons.

We started these whole discussions about the maritime domain and saying that India and the United States have a shared interest in the maritime domain. I'm extending this to say that you have maritime, cyber and space and the challenge for India and the United States will be the management of this extended commons in such a way that China also becomes a stakeholder and is encouraged to comply, to conform, in a way that its own sensitivities, interests, aspirations and ambitious and anxieties are all accommodated.

Let me quickly finish. I just have a minute to say that without going into the other points that for India and the United States, I think I spoke about an equal system. I spoke about the fact that this is a triangle that would have to be managed in a very, very innovative and empathetic manner, and that at the end of the day for India and the United States, I want to borrow that last point from Harsh, it appears that there are many obstacles and one suggestion I've often made is that there is a need to reconcile the narratives. India has the narrative of the nuclear issue. The United States has its own narrative on the nuclear issue; we have our narrative on terrorism. The United States has its narrative on terrorism, that there is a need for reconciliation, for harmonizing these narratives and there are specific recommendations as far as this extended commons and these issues are concerned. My proposals are as follows. One is for much greater engagement on track two on these issues because these are people in the real world, FICCI, those in the private sector and those in the government and from track two to pick up individual issues which lend themselves to some degree of cooperation and have perhaps the equivalent of a track 1.5 where you have people from both within the government and from outside and then try and identify which are the doables. Thank you.

MR. KANORIA: Thank you very much. As has been through the day, also a very enriching learning experience at least for me. As opposed to big boats, I only sail small boats. But I know that as a sailor when you have to reach from one point to another, then it's always not a straight distance to go. You have to tack your way through and actually go left and right before you reach the goal. So it is a question of adaptability and understanding situations and taking them as they are

watching the winds blow in your direction and then catching them to move toward your goal -- very small -- philosophical issues about that.

Before I open up the floor to questions, I have one. One issue which I find has been completely missing through the day in terms of maybe that it's an issue which only to do more internally with our country, but I feel that we keep discussing on the business and on the strategic and defense and military framework, but there is no discussion whatsoever on the issue of full security and agriculture which I feel is going to become a major issue and where I think there is a great need for also some kind of strategy between the U.S. and India to ensure that we are able to feed our people in India. I feel that we'll be faced with a huge problem because since the 1970s when we had the green revolution with Norman Borlaug leading it, we've really not had any other kind of agricultural revolution of any serious nature and that's something which at least I feel is important in this relationship. Can we open up the questions? Please identify yourself and wait for the mike and make your question short. Thank you. I am so sorry. Ambassador Sibal wanted to make some comments first, so if you will please allow me. He had already told me in advance.

AMBASSADOR SIBAL: I'll cut short my intervention because I think we are running out of time.

MR. KANORIA: We have, sir, 5 minutes.

AMBASSADOR SIBYL: One, that I'm not persuaded that India's economic relationship with China has become so strong that it imposes limits on our policy choices. The total India-China trade is today $60 billion and it's the largest state partner in goods, but our largest economy relationship remains with the United States of America and the deficit that the United States has with China is probably three to four times larger than the total India-China trade. It may well be that in the years ahead this might become an important factor, but I don't think that at this stage we should exaggerate the importance of this.

Secondly, on dehyphenation -- words that the United States has interests in India, the United States has interests in Pakistan, India and Pakistan, have a very difficult relationship, the United States has to manage both relationships, so even if you don't use the word hyphenation or dehyphenation, there is a de facto compulsion on the United States to try and balance this relationship in

order to derive the maximum leverage from both relationships. If you remember when Condoleezza Rice came to Delhi and announced willingness to enter into a comprehensive nuclear deal, she went to Pakistan and declared that Pakistan would be a non-NATO ally of the United States of America. In terms of arms sales to Pakistan, the United States has not given up that policy. Robert Gates when he was in India a few months ago that we are calibrating very carefully our arms sales to Pakistan and they will not create a conventional imbalance in South Asia. And from Wikileaks one gathers that the U.S. Ambassador to Pakistan recommended continuing arms sales to Pakistan in order to allay Pakistan's security threats from India.

On the nuclear deal, while, yes, there was a clear dehyphenation in what had -- there, but one finds that the United States is giving China a degree of freedom to increase its nuclear relationship with Pakistan and one could see that in the NSC discussions, et cetera. On Afghanistan, again there was a tendency initially to link Kashmir to Pakistan. On terror, I remember that although President Bush was very strongly supportive of -- I won't say supportive, recognized that India was a victim of terror, but he very steadfastly refused to give us any signal that he was willing to put pressure on Pakistan. He would always defend Pakistan and say that Pakistan actually was a very reliable ally in the war against terror. And on strategic partnership, India got a strategic partnership, but Pakistan too has a strategic partnership, but leave that aside.

Very, very briefly, before I say something on the strategic partnership or the area of strategic cooperation, I want to respond to the Syrian thing because that's also related to the whole idea of a strategic partnership or areas of strategic cooperation because I think if the United States were to support India's permanent membership more seriously and more proactively, it will lead to an internal balance within the Security Council, and by giving India a greater role even if there are some issues on certain issues, the underlying compatibility of long-term interests between India and the United States is such that multilateral action within the United Nations Security Council as a result of cooperation between India and the United States would be helpful.

In the case of Libya, I think one has to see whether the United States position or those of NATO or Western countries is based on your principle or it is based on national interests or there are domestic pressures at work, or is it a combination of all three factors? If we agree that it's a combination

of all three factors, then India's position on what happens in Libya cannot be based on your principle. It has also to take into account a national interest and of course domestic political pressures at work. So therefore I don't think we should read too much meaning into what's happening in Libya with regard to India's position.

Insofar as areas of strategic cooperation are concerned, I think the nonaligned phase insofar as India is concerned is over because India pursued that course of action to protect its strategic interests in a divided world. Now the world is interdependent, globalized and we are to protect our interests in this sort of a world and here of course we are trying to maintain our strategic autonomy. But there is a lot of convergence of interests in many areas. First of all, the global liberal order. We have been victims of it, but nevertheless I think all right-thinking Indians would agree that the United States is the biggest pillar of a liberal global order and this pillar must not be weakened. And if tomorrow the Chinese begin to increase their influence in shaping the world order, what values will they bring to this order? Their values, their soft power. What will they bring? I think the world would lose as a result and therefore it's in India's and the United States interests to strengthen this global order. The problem is that while we both share our commitment to democracy and will not be happy if Chinese authoritism becomes some sort of an attractive model for many parts of the world, we have some genuine doubts about going in for democracy as a crusade and that's where our differences come in. We have some difficulties about going in for a crusade for human rights and for the right to intervention. Insofar as the rise of China is concerned, we have a common interest to hedge against this rise without seeking to contain China, but we have no clarity yet as to what the U.S. has in mind in terms of the Chinese threat. The U.S. wants us to focus on the Chinese threat in the Asia Pacific region, but we have far more concern about China's threat in South Asia and there is here a mismatch. We do not know what the United States thinks about the China-Pakistan nexus, about Chinese penetration into the Indian Ocean area. So unless we have a frank dialogue and understand what the United States' thinking on these issues is, we cannot have that kind of confidence in each other. There are water issues because most of the biggest rivers of Asia are emanating from Tibet. There is the whole issue of Tibet and the Dalai Lama. So we need to discuss these issues also.

We need also to be clear about the U.S. on the PAK-China nexus and there is no clarity about U.S. policy as we saw in the NSG or for that matter in the FMCT where China is blocking negotiations on the -- and the United States hasn't found a policy that would try and remove the roadblock that Pakistan has placed.

In the case of terrorism and religious radicalism, both are threats to the United States and India, but we get the feeling at times that the U.S. wants to accommodate these forces to some extent and of course you have now excluded the whole vocabulary of war on terror which itself is an indication of how you want to be able to fit what's happening in Afghanistan into a larger policy toward the Islamic world and we only hope that this does not have certain repercussions in our own region with which we have to live with. On Afghanistan we have common interests and connectivity in energy cooperation the nexus of natural resources. We think that the U.S. is a stabilizing factor in Central Asia but we are not sure whether the United States has the willpower and the commitment to for the long term stay in this area.

On Iran you should give us more space. On energy we are going rather well. Defense is another very important area. The United States has already got $8 billion worth of arms sales I think in the $30 billion that we are hoping to buy from supplies abroad. The United States is targeting at least another $8 billion on technology transfers. We have common interests. We have common interests in protecting the -- of communication. Finally, I would suggest that the United States should support India's territorial integrity. That's very important.

MR. KANORIA: Thank you. Please go ahead.

MR. SINGH: Atul Singh from "Fair Observer" a new journal analyzing global issues.

I have more of a comment, less of a question. My comment is both the USA and India are seeing an extraordinary tumult in the U.S. and I've driven across this country twice. As you drive away from the coasts you see rust belts, you see towns like Detroit that have deindustrialized. And what someone said earlier very emphatically and very correctly is that you're seeing a clash between those who have benefited from globalization, the Googles, and those who have lost. That war is real and that has made politics vicious. India again has its socialistic -- its huge bureaucracy and red tape, we were

given statistics by Swami, and we have a tiny Foreign Service, 700, sir, if I'm not mistaken manning a rising power inadequately, straining at the seams.

So the fundamental question here is before we talk about a relationship, a strategic relationship or a partnership, both of these countries which have ferment in their soul have to figure out what is their goal and it's not rhyming as you were now just making an alliteration. It's first what is it that you're headed toward and then the relationship, the partnership, the strategy will evolve. Therein I agree largely with Ashley and I agree largely with Harsh, both of them are close friends, that the fundamental issues in these countries are internal. When they solve their soul, when they do what we call in India in the (inaudible) and forge through exercise of purity or concentration, what is it they want? Things will evolve because there are natural synergies which will be there for the long run. Those factors will remain.

MR. KANORIA: Thank you. Swami, yes? We'll take the next one from the lady.

MR. AIYAR: Everybody says that the Arab Spring is a good thing. I'm not entirely sure. There are some discouraging signs that it might turn Islamist. Supposing that happens even halfway if not completely. What will be the reaction of the United States? What will be the reaction of India? Apart from saying that it's an unfortunate event? Apart from saying it's unfortunate in concrete terms, what would the United States be inclined to do and what would India be inclined to do if you saw signs of the Arab Spring turning Islamist?

MR. KANORIA: The next question. There's a lady up here in the sixth or seventh row.

MS. DANYLUK: I'm Bethany Danyluk from Booz Allen Hamilton. My question is to the panel and anybody who can address this. It's been suggested several times that U.S. entities could engage directly with individual states in India to perhaps bypass some of the bureaucratic and procedural hurdles to achieve their objectives. Is this approach something that the government of India at the national level would be comfortable with? Or if they wouldn't be comfortable, would this then undermine our relations at the national level and our attempts to build good faith?

SPEAKER: My question is what Ambassador Sibal said; that what I'm asking is what I'm asking you is where do you put today the India-U.S. relations? Where are we heading for tomorrow? Thank you.

MR. KANORIA: There's a question here.

MR. KADIAN: Rajesh Kadian. Ashley and I are the two Indian-Americans here. Where do you see a tangible role for India-Americans, Ashley, in furthering our relationship between the two countries? And a very weird comment on Syria. It's mystifying as Martin brought it up. But the Alawites are in power. The Alawites are a Shia group who also worship the cow.

MR. KANORIA: There's one question right at the back. That's the last one we take from the back.

MR. SHARMA: My question is for Dan and Ashley. We keep talking about U.S. and India, but nobody has really talked about Congress. Is the U.S. Congress (inaudible).

MR. KANORIA: I'm sorry. We can't hear you up here. Can you just stand up, please?

MR. SHARMA: My name is Cap Sharma. This question is for Ashley and Dan. A lot of the discussion today is about what the U.S. and what India should be doing, but we know that the U.S. Congress plays a big role in foreign policy. I was wondering from Dan and Ashley what is Congress in general thinking about India? Because while we're talking about having stronger relationships, Congress tends to see India more as a competitor, more as someone who's taking jobs, someone who's going to compete for energy and commodities and I'm not sure whether Congress is in synch with a lot of the discussion we've had today so I would to learn more about that. Also we're going to have a huge turnover in Congress next year. Ashley, since you worked in the Bush Administration, what do you think the Tea Party and the new Republicans, how do they look at India because they're going to be playing an important role in finance, export controls, visas, a lot of different things. I was quite surprised that the U.S. Congress was left largely out of this debate, so if you could comment on that I would appreciate it. Thank you.

MR. KANORIA: Now we have 5 minutes precisely. We'll allow each panelist to respond to the questions. There are short questions and there are very long questions like the last one, but we will give 1 minute to each panelist. You can pick up whatever question you want. Shall we start with Harsh?

MR. PANT: I would respond to Swami's question on the Arab Spring. I don't think we know how India would respond. I don't think Indian policymakers know how they would respond. India's approach so far has been very, very cautious as we have been discussing as to what to do in Libya and

Syria, et cetera. So if the situation gets more Islamist in orientation I'm not so sure they would -- they would be very nimble in their response. I think they would take their own time and once they figure out what to say, they'll probably have something to say, but it would take a long time for it.

MR. KANORIA: Ashley?

MR. TELLIS: I'll address three questions and I'll try to do it in 1 minute. On Bethany's question of whether India should engage the states going over the head of the center, I think it's really a question of which issue area you're talking of -- engagement in. If it's engagement in national security, you have to go through the center. There is no alternative. If it's engagement in the realm of economics, there are plenty of opportunities to go directly to the states and American corporations have already begun to do that.

On the second question of the role of Indian-Americans which Rajesh -- I think the role of Indian-Americans has to be what the role of any citizen in this country is which is to contribute to the better understanding in terms of bilateral relationships, the better understanding of what is happening in India here and that is both through our engagement with the Executive Branch and particularly to Congress. And I'd connect that to the question that Cap raised which is citizens have a very special relationship with their Representatives and if Indian-Americans like others can use that relationship with their Representatives to help the Congress understand what the larger issues with the home country have been, then I think it makes a good deal of difference.

MR. KANORIA: Uday?

MR. BHASKAR: I'd just pick up again two points, one by Swami regarding the Arab Spring and which way it goes. I'll just give you my view as a security analyst which is that, again I said this in the morning, the United States and India, if you look at the U.S. curia, the last two curias, 2006 and 2010, you will find that terrorism nonstate has a very prominent place in terms of challenges to the United States. We in India have gone through November 2008 in Mumbai and whatever we have seen this year. So my limited response as an analyst is that more than the Arab Spring and its Islamist identity which is cause for concern, it is the supranational agenda that they pursue and the means by which they decide to realize those objectives. And if you have this wave of regimes that decide to use modern technology in the furtherance of the supranational agenda, both India and the United States I think would have to really

consult very deeply about how to deal with this because of the nature of diversity. I come back to that equisystem formulation, that for India and the United States, the management of diversity while being sensitive to whatever the Constitution has enjoined in terms of values is going to be a challenge, whether we talk about banning burkhas or defining how religion is to be practiced. I think that clash as I see it about the supranational agenda of these groups in the event that they do wish to and how the states are going to work will be a point of some concern. It has to be monitored very carefully and I agree with you. And -- I'd imagine the Chinese also would be very, very concerned because of their own proximity to some of these issues. So I'd just leave it at that.

MR. MARKEY: I'll just pick up a couple things as well. Some great questions here. I would begin by suggesting that you're absolutely correct that the Indian economy is currently far less penetrated by Chinese interests relative to the United States. No doubt. But this is a dynamic and we have to look out into the future and I would say that there is good evidence to suggest that that will change over time and that India will like the United States is be increasingly sensitive about how its actions internationally are likely to effect the ramifications of those actions for its economic relationship with China, so I would say look to the future there.

To clarify on dehyphenation, my use of that word was in a relatively narrow sense. It was only insofar as to suggest that the United States unlike in the deeper past should not be paralyzed by the need to resolve the Indo-Pak bilateral conflict before moving ahead and engaging each of those partners for different reasons. It is not in the broader sense of suggesting that U.S. policymakers are not routinely in the business of trying to figure out how everything they do is likely to affect their relationship with the other side. Realistically they live in that world and they're forced to respond and calibrate their activities accordingly simply to escape that paralysis that had bound us in the past.

I would have a difference of interpretation, just as a point, on the U.S. response to the Chinese-Pakistani nuclear arrangement. My sense is that the United States was less willing to acquiesce because it thought that it was somehow balancing the civil nuclear deal and simply bowing to what it perceived to be an unpleasant international reality.

On Libya, my point was not that the United States could have convinced India to see it side on Libya. The point was simply that as a process issue we should be in the habit of seeing that

consultation in that instance and in many others as being something we simply do. Of course we would do it and we would do it at length and we would devote considerable priority to it.

Last on this issue of going past the MEA, past New Delhi and going directly out to states, my point was a narrow one, again there really related to the establishment of U.S.-branded universities in India where there have been holdups at the center and where there seems to be a greater welcome by state authorities or the potential for that. This is an opportunity that I think we should not allow the center to sort of hold up progress that could be made in important ways.

MR. KANORIA: Thank you very much. We are coming to the end of this session and for me the learning has been that whatever relationships we need to develop, we need to have, and I quite agree with Daniel, if you have to develop a strategic relationship, we need to have transparency in our dialogue and we need to talk about it. We must put goals as to exactly where we wish to reach and that's really important. And now in a jocular manner, I just want to say that a few years back "The Economist" described India as a country full of subplots with no plot at all and I find that it's not much different here and we need to put those whole plot together before we can come to any kind of conclusion. And as always, any such session leaves us more with questions than with answers. Thank you very much, and thank you so much to the panel.

(Applause)

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MR. TALBOTT: It's been a terrific session and I know that virtually everybody here as the day comes to an end has contributed to it. And I thank you all for that.

The word "dialogue" has been used a lot in recent years, particularly with regard to the bilateral relationship between the United States and India. But I must say both what's been going on in New York over the last couple of days, what I've heard about the bilateral meeting between Secretary Clinton and Minister of External Affairs Krishna suggests that that really qualified as a very, very probing and deep and rich dialogue and certainly, what's been going on here under the auspices of the FICCI-Brookings Strategic Dialogue has so qualified as well. I cannot imagine a more appropriate way of bringing this encounter to a close than to have two good friends, and even though they're smiling -- smile, both of you -- and looking very alert, two very, very tired professionals, take a little time out of their

schedules to help bring the proceedings to a kind of a strong finishing point.

Madam Ambassador, it's a great pleasure to be able to so address you. Having had the honor of meeting you and working with you in your previous capacity as foreign secretary and Bill, of course, is a good friend and colleague of mine, as well as a very good friend to the Brookings Institution. Bill is going to make some observations looking forward. And so is the ambassador. And then they will come back and take their seats up here and we will conclude the proceedings with a final round of what I guess we should call a multi-log because it'll give a chance for all of you to make some final points and ask some questions of our two honored guests.

So, Bill, the mic is yours.

MR. BURNS: Good afternoon, everyone. Thank you very much, Strobe, for that kind introduction. I'm delighted to be back at Brookings for this very important conference. And I'm especially delighted to be here with India's new ambassador to the United States, Nirupama Rao, an extraordinary diplomat, as well as a wonderful friend.

As foreign secretary, Ambassador Rao helped shape every advance we made in U.S.-India relations in recent years and both India and the United States are very lucky to have her here. It's also a genuine pleasure and a genuine honor to be introduced by Strobe Talbott, who set the standard for deputy secretaries of state, as well as for U.S.-Indian diplomacy over a decade ago. Strobe's vision helped put U.S.-India relations on their current productive path, culminating in President Bill Clinton's visit to India in the year 2000, the first trip to India by a sitting president in 22 years.

Ten years later it took President Obama only 22 months to become the first president to visit India in his first term. During that visit, President Obama offered the clearest possible answer to the question posed by this conference. He made emphatically clear that the U.S.-India partnership has a future, a very bright and consequential future. During that visit, the president told India's parliament the United States not only supports India as a rising power; we fervently support it. And we've worked hard to help make it a reality.

Just as a strong India is in America's interest, a strong America is in India's interest. And a strong U.S.-India partnership benefits not only our two countries but the entire world. And yet a strong U.S.-India partnership is neither automatic nor is it self-implementing. We each carry baggage of different

kinds and we each have our own world views, our own domestic preoccupations, and our own sense of our interests. Problems and disagreements will inevitably arise. But no one should mistake the inevitable differences between two close opinionated friends for loss of momentum or worse, the lack of a future. Our track record is clear and our commitment is firm.

President Obama's successful visit last year made history with our endorsement of a permanent Indian seat on a reformed United Nations Security Council, and our clear expression of support for India's future membership in the major nonproliferation regimes. These are momentous steps.

So there is, it seems obvious to me, a bright future for the U.S-India strategic partnership. That future will bear no resemblance to the distant past of mutual estrangement, but it is also unlikely to always resemble the recent past when it seemed every 18 months brought new breakthroughs, like the Civil Nuclear Deal or support for permanent U.S. Security Council membership or export controls reform.

Our challenge today is to broaden and deepen our bilaterally, regional, and global cooperation. Given India's emergence as a global power and the breadth of our common challenges, no single issue and no single breakthrough can or should define our relationship. What matters is its overall health, its steady progress, and the long-term investment and the dialogue that are required to sustain both.

Let me talk briefly about three especially important dimensions of our growing partnership. Boosting our mutual prosperity, deepening cooperation in India's immediate neighborhood and east across Asia and the Pacific, and efforts to solve global problems together. Our bilateral economic relationship is anchored in the realization that our long-term interests are essentially congruent and mutually reinforcing. Each of us has a large stake in the other's success. The tangible economic benefits of our relations for businesses, big and small, for people in the middle class and those rising towards it are irrefutable.

The old narrative of outsourcing and zero sum competition has given way to the reality of balanced, mutually beneficial, and rapidly growing commerce between our nations. From USAID programs to eradicate polio and promote maternal and child health, to cutting edge cooperation and clean energy technology, agriculture, science, and space, we are committed to being a partner in helping build

a new India. The modernization of India and the lifting up of hundreds of millions of Indians out of poverty necessarily remains the focus of the Indian government. This extraordinary and so far extraordinarily successful effort requires India to sustain its high rate of economic growth, open markets for its goods and services, and attract the investment needed to realize its vision of inclusive development.

There is no more important partner for India in this endeavor than the United States. Over the past decade, our bilateral trade has doubled and then almost doubled again. Our total direct investment in India rose tenfold from $2.4 billion in 2000, to $27.1 billion in 2010. The economic needs of the American people are essential to our own diplomacy around the world as we work to find new markets for American products and exports. The United States, therefore, has an enormous stake in India's economic rise. India has grown on average 7.5 percent each year for the past decade, and American companies want to compete in India's growing markets and take advantage of investment opportunities, not least the $1 trillion India expects to invest in building infrastructure by 2017.

India is now the Export-Import Bank's second largest portfolio after Mexico. Together we are drawing the best from both of our societies to make better products that compete and win in the global economy. Tata Steel has a plant in Ohio; Boeing uses engineers in Bangalore to design 787s whose parts are manufactured across America. India's direct investment in the United States has grown by an average of 33 percent each year since 2005, and in the decade between 2000 and 2010, increased from a negligible $96 million to over $3.3 billion, with Indian companies now employing tens of thousands of Americans.

Completing our civil nuclear partnership is central to both our nations' long-term prosperity and India's future energy security. For international and Indian firms to participate in India's civil nuclear sector, India needs a nuclear liability regime consistent with international standards. To this end, we welcome India's commitment to ratify the Convention on Supplemental Compensation later this year, and we encourage India to engage with the International Atomic Energy Agency to ensure that India's liability regime fully conforms with the international requirements under the convention. The next step in the pursuit of mutual prosperity is a U.S.-India bilateral investment treaty, which would enhance transparency, boost innovation, and create jobs.

Technical negotiations are about to get underway and we must continue to make

progress. Just as the United States will be integral to India's sustained economic growth and its efforts to lift hundreds of millions out of poverty, India's emergence will be integral to long-term U.S. economic prosperity. We're counting on India's rise not just as an economic partner but as a global power, one that engages everywhere from Latin America to the Middle East to East Asia. India's leadership in promoting a more stable south Asia, its multi-billion dollar assistance commitment to Afghanistan, its determination to reengage and normalize trade with Pakistan, and its joint projects to boost infrastructure and capacity in Bangladesh, Nepal, Sri Lanka, and the Maldives, offer the hope of a more peaceful future for the region and the world.

Ambassador Rao's personal efforts as foreign secretary to revive dialogue between India and Pakistan and consider mutually beneficial steps in trade and other areas are particularly commendable. For U.S. and Indian policymakers, a successful transition in Afghanistan is a shared imperative in an area of increasing cooperation. As the United States draws down our forces and transfers responsibility for security to the Afghan people, we are ever mindful of Afghanistan's recent history and the terrible cost of neglect. None of us can afford to make that mistake again.

We are making headway in negotiating a new strategic partnership agreement with the Afghans to extend beyond 2014. As Secretary Clinton emphatically noted in Chennai in July with regard to our long-term commitment to Afghanistan's stability, we will be there. Success in Afghanistan depends on ensuring that others are there, too. That certainly includes India. With coalition forces drawing down, Afghanistan will need extensive private investment and economic linkages with its neighbors.

And yet today, the countries of South and Central Asia trade less with each other than nearly any other region in the world. Goods are shipped thousands of miles out of the way simply to avoid hostile territory. Even with no direct access to India's rising middle class market, Afghanistan already sends one-quarter of its exports to India. Imagine what will be possible when transit and trade agreements extend outward to India and Central Asia, and Afghanistan traders are able to shift goods directly to the markets of Mysore and Mumbai and Indian innovation and capital can play the same role, lifting Afghan prosperity that it has at home. The new Silk Road as we envision it is not a single path. It is a vision of economic transit, infrastructure, and human links between South and Central Asia. India can be its economic engine.

Just as the United States and India have a mutual stake in supporting a stable and more integrated South Asia, we must also work together as the strategic center of gravity for world affairs shifts toward the Asia-Pacific region where India has a vital role to play. It is precisely for this reason that the U.S. and India decided to launch a strategic dialogue on the Asia-Pacific in 2010. Since then, this mechanism has emerged as a model for the type of engagement and dialogue that we need to identify new areas of cooperation and to pursue complimentary strategies. We are keenly aware that talk is talk and that action is key, and that's why we're transforming our engagement with India on the Asia-Pacific from dialogue to real action and concrete outcomes in areas such as maritime and port security, counter piracy, disaster preparedness, and humanitarian relief.

India is already a powerful economic and cultural presence in the east, from the temples of Bali to the dynamic expatriate communities who connect India with the export-driven economies of Southeast Asia. India has built a vast network of bilateral economic cooperation agreements and security arrangements in the Asia Pacific with traditional American allies like Japan, South Korea, and Australia, and with our other partners, like Singapore, Indonesia, and Vietnam.

We're launching a new U.S.-India-Japan trilateral consultation on regional issues. India's outreach is growing, moving toward a comprehensive vision for the East Asia region, a look East policy that is becoming an act East policy. We also hope that India will join us in working to strengthen Asia's many regional institutions. Prime Minister Singh's appearance alongside President Obama at the East Asia Summit in November will help that grouping become the premier forum for our leaders to discuss political and security issues in Asia. Secretary Clinton has underscored our commitment to work closely with India as we deepen our engagement with ASEAN.

As Ambassador Rao once commented to me, "Southeast Asia begins in Northeast India." India already trades nearly as much in goods with the ASEAN region as it does with the United States. An architecture of free trade and investment that connects India to all of Southeast and East Asia will have a profound impact on global trade and economic growth.

Finally, the 21st century Asia-Pacific we seek is one in which India, the United States, and China all enjoy good relations. Whatever our differences, we know that as this century advances, fewer and fewer global problems will be solvable without constructive cooperation amongst our three great

countries. To paraphrase India's national security advisor, I have no advice that Asia and the world are big enough for the three enough if we want them to be. We will all benefit from enhanced collaboration in the years ahead.

Across the world I believe that India and America, two leaderships and two peoples with so many converging interests, shared values, and common concerns can help shape a more secure, stable, democratic, and just global system. India can make a decisive contribution to building what Secretary Clinton has called the global architecture of cooperation to solve problems that no one country can solve on its own.

That's why President Obama said that the United States looks forward in the years ahead to a reformed U.S. Security Council with India as a permanent member. It's why we are working together through the G-20 to rebalance the global economy in what has become the world's leading forum for international economic cooperation. It's why we've worked together in Copenhagen and in Cancun, and will work together in Durbin, to combat changes to our climate that threaten the Himalayan plateaus and the American heartland alike. It's why we're helping India spread its agricultural expertise to other developing nations. It's why we have dramatically deepened our cooperation on counterterrorism and homeland security. And it's why President Obama and Prime Minister Singh have each committed their country to the long-term vision of a world free of nuclear weapons.

Across the board, we hope India recognizes that with increased power comes increased responsibility, including the recognition in the spirit of Gandhi that an assault on human rights and freedom in one place is an assault on human rights and freedom everywhere. Recent weeks have seen encouraging signs from Burma, including a new embrace of the language of reform. Then, Foreign Secretary Rao's meeting with Ansan Sushi earlier this year was an important step, and we hope that the Indian government will use its close ties in Burma to encourage concrete action on political and economic reform and national reconciliation. We also hope we can look together at the profound changes sweeping across the Middle East and see our common stake in successful transitions in a part of the world that matters enormously to both of us.

The singular feature of the revolutions that make up the Arab awakening is that they're driven from within. Animated by a thirst for dignity and participation in societies which for far too long

have produced far too little of either. That is also the great enduring strength of those revolutions and it is the ultimate repudiation of the al-Qaeda narrative that change can only come through violent extremism.

While all of us should be careful not to obscure the homegrown strength of the Arab spring, none of us can afford to neglect its historic sweep or fail to address the brutalities of regimes bent on denying their citizens their dignity and their universal rights. The simple truth is that there is no going back to the way things were. There is only a path forward, a hard and difficult path filled with troubles and backsliding and detours, but a path forward nonetheless.

India has a great deal to offer people in societies starting down that path. We applaud India's offer to send election experts to Egypt and hope India can expand its support for the new Libya and stand with the Syrian people as they peacefully demand their universal rights. While no country should seek to impose its own political system on others, India remains a stirring example of a successful, multiparty democracy that offers hope to societies wrecked by political turmoil and sectarian or tribal divides. We hope India will recognize the value of helping others match that achievement.

If we want a truly global strategic partnership, America and India must seek out opportunities to act as partners at the U.N. and other international fora. The collective action we've endorsed together through the G-20, the Nuclear Security Summit, and the Global Counter-terrorism Forum we launched last week in New York, are excellent examples of our capacity to work constructively together to solve the problems no one nation can solve alone.

The United States and India have no fundamental conflicts of interest, so there is no reason why we should not strive to be closer partners in the U.S. system and beyond. That will take time and we will have our share of frictions along the way, but it is in both of our interests to try. For our part, accepting India as a global power means learning to agree to disagree sometimes. It means recognizing that profound mutual interest and shared values do not add up to unanimity of opinion and with cooperation moving forward on so many issues, a few differences need not cause us to lose momentum or ask whether there is a future for our partnership. The greatest risk it seems to me is not disagreement; it's inattention. It's the possibility through domestic political distractions or failure of imagination, or simple complacency that America and India might leave the full potential of our partnership unmet.

The truth is that we've crossed a threshold in our relations where for both of us, for the

first time, our success at home and abroad depends on our cooperation. America's vision of a secure, stable, prosperous 21st century world has at its heart a strong partnership with a rising India. The question is not whether we have a future or whether we will have a strategic partnership; the question is whether we're doing as much as we can to ensure that we realize its full promise. Few questions will matter more for both of us in the new century unfolding before us.

Thank you.

(Applause)

MS. RAO: Thank you, Strobe, for your words of introduction. It is indeed a privilege to be here this afternoon and to be sharing this platform with Deputy Secretary Burns, who is a personal friend, a wonderful friend, and also a very passionate advocate of the partnership between India and the United States. So I'm really happy to be here this afternoon and to speak at the concluding session of the third Brookings FICCI Dialogue on India-U.S. Strategic Partnership.

Ever since the inception of this dialogue it's brought together eminent spokespersons, experts, and thinkers from both India and the United States, and all of this has contributed very positively to the overall and very positive momentum that we see in the growth of the partnership.

I've had the unique privilege to be present at the inaugural dialogue of these two premier organizations of India and the United States, as well as the second session in November last year in New Delhi in my then-capacity as foreign secretary. Since the last session of the dialogue, we've had the landmark visit of President Obama to India, a visit that has consolidated the gains in the relationship over the last few years and also provided new dimensions for future expansion of our strategic partnership.

When one is faced with the question about the future of our strategic partnership and Bill Burns has spoken very eloquently on this just now, of the bright and consequential future that we desire for this relationship, I think it is logical to begin with defining what we mean by it and the overall context of the relationship. India's foremost national task over the next few decades is to turn the historic economic gains of the last 20 years into inclusive growth that will lift millions out of poverty, that revitalizes rural India, and up lists marginalized and poor farmers, and that creates a future of potential and possibility for more and more Indians. We wish to hasten the pace of India's transformation in partnership and cooperation with the international community, and particularly the United States.

At the last session of the dialogue, I had outlined three basic organizing principles for the partnership -- our shared values, our economic partnership and people-to-people linkages, and the security of our people and stability in the world. All this for a sustained and long-term partnership between India and the United States. I propose to further elaborate on these principles and also speak of some key drivers that in my view will shape the India-U.S. partnership in the years to come.

First, a global partnership for peace, stability, and security. Today, both India and the United States have an increasing convergence, a correlation of interests when it comes to ensuring peace, stability, and security, not just in Asia but in the world at large. Our mutual understanding on critical issues, including the global economic situation, terrorism, Afghanistan, regional challenges, and Asian stability, has become stronger. The frequency, the quality, and the range of our political dialogue on all regional and global issues has attained a new level. Terrorism remains a challenge for all of us as the recent attacks in Delhi have demonstrated. The fight against the scourge of terrorism has to be unrelenting. We have, and will continue to take steps to improve our domestic capabilities to counter this threat. At the same time, we are also enhancing our cooperation with the United States. In the wider regional context, we both agree that success in Afghanistan and regional and global security require elimination of safe havens and infrastructure for terrorism and violent extremism in Afghanistan and Pakistan.

India has already committed more than $2 billion USD for Afghanistan's development. We have agreed that we will pursue with the United States joint development projects in capacity building, agriculture, and women's empowerment in Afghanistan. We believe that Afghanistan should become a hub that can link central and South Asia through increased trade, transit, and commercial linkages. We have, therefore, welcomed the new Silk Road Initiative as an important step in that direction. In fact, one of the issues we discussed during yesterday's meeting between External Affairs Minister Krishna and Secretary of State Clinton was this aspect, the new Silk Road Initiative and our development partnership in Afghanistan.

As we move towards transition of security to the Afghan national forces, it is imperative that the international community remains engaged in Afghanistan and helps build institutions and Afghan economy to ensure sustained development. Professor Rabbani's tragic assassination last week reminds

us again of the evil designs of the enemies of peace in Afghanistan. We must not let such forces succeed. It is essential that the process of nation-building, including intraregional reconciliation in Afghanistan succeeds. This is vital for ensuring peace and stability in the region as a whole.

India's engagement with the Asia-Pacific region has intensified over the last two decades. Our Look East policy annunciated in the early '90s is meant at a fundamental level to reconnect and reach out in the civilizational space we share with our near neighbors in Southeast Asia and catalyze the sharing of capacities and opportunities to improve the economic well-being of our people. Two decades later we have seen India's quick integration with Southeast and East Asia at the strategic, political, economic, cultural, and people-to-people levels.

This region is witnessing rapid change. Both India and the United States have a shared interest in ensuring that peace, security, and prosperity are maintained even amidst these fast-paced changes. We have strengthened our strategic consultations on developments in the Asia-Pacific with the United States, and we have welcomed the entry of the United States in the East Asia Summit to seek and open inclusive and balanced regional architecture in the Asia-Pacific region.

One-fifth of the world's energy supplies now travel across the Indian Ocean. The safety of sea lanes of communication which crisscross the Indian Ocean is crucial for the economic growth, not just for India and the U.S. but for the entire region. Maritime trade routes in the Indian Ocean are vital for international commerce and global energy security and we have a shared interest in confronting threats such as piracy. Therefore, we have agreed to enhance our maritime security cooperation. For instance, we are working together with the United States and the international community to combat piracy in the Gulf of Aiden and of the coast of Somalia.

Indian and U.S. navies are enhancing their collaboration to deal with natural disasters, building on the experience gained so far from coordinated action. More broadly, our defense cooperation has grown significantly. The paradigm that we should visualize for defense cooperation should incorporate a strong component of joint production, research, and co-development which are all of strategic importance.

The safety of and access to the global commons -- air, sea, space, and cyber domains -- is also vital or the continued prosperity of India, the U.S. and the international community. We have,

therefore, decided to explore how we can work together with the United States and with other countries towards attaining this objective. Increasingly, this aspect of the relationship requires intensified study and focus at the level of officials and of experts.

I will now turn to the bilateral partnership for common prosperity. India's sustained economic growth and with its paradigm of greater reliance on domestic demand and investment are focused to make India a global innovation hub and are ambitious plans for modernization of infrastructure requiring more than $1 trillion USD in the next few years. The development of new industrial clusters and new townships offer new and exciting opportunities for U.S. businesses to partner with Indian stakeholders for mutually beneficial ties.

U.S. businesses, with their leadership role in technology, product development, research, and innovation, are already strong partners in India's economic growth story and Indian businesses are creating value, wealth, and jobs in the United States. We are now working on a bilateral investment treaty that will ensure predictability for investors and support economic growth and job creation in both countries.

I'm aware that questions or doubts sometimes are raised here about our pace of economic reforms. On the other hand, from the Indian perspective, too, there are some challenges, including visa and market access issues that Indian businesses face and which continue to hinder the realization of the full potential of our commercial ties. We all have stakes in ensuring that the India-U.S. commercial engagement maintains its positive trajectory and is not affected by any protectionist sentiment keeping the long-term perspective in mind. Trade and economic ties I am convinced will continue to be one of the central drivers of the India-U.S. partnership.

A crucial input to achieve the ambitious growth targets will be energy, and increasingly it will have to come from clean sources. We are working together across a full portfolio of clean energy options. The U.S. is assisting us in mapping our reserves of shale gas resources. The civil nuclear initiative that has become a symbol of our transformed relationship grew out of our conviction that nuclear energy could help us meet our energy requirements in an environmentally sustainable manner. There are immense opportunities for U.S. companies in this sector, and Indian and U.S. companies are already in discussion to set up nuclear power plants in India. On its part, the government of India is committed to

providing a level playing field to all our international partners.

Through our bilateral science and technology endowment fund, we hope to tap into our respective scientific and technological strengths and encourage promising and innovative ideas that could produce material benefits in both countries. We value the support of the United States for India's full membership of the four multilateral export control regimes. We are hopeful that the decision by the U.S. to realign its export control regulations would help in removing those relics of the past and foster greater collaboration between our scientists and innovators in the areas of research and development, innovation, and high technology.

Even while our economic growth has been impressive in recent years, we are mindful of the enormous developmental challenges that we face. We need to build more schools and institutions for higher education, skill development, strengthen our health infrastructure. In all these facets of development we are supplementing domestic effort through cooperation with international partners, the foremost of which is the United States.

A key element of India's developmental plan is to improve our agricultural productivity and consequently rural incomes. This is imperative given that more than half of our population still derives its livelihood from agriculture. We are therefore working together with the United States to revive the spirit that animated our cooperation during the green revolution. Beyond the bilateral dimension, we plan to work on joint projects in Africa in collaboration with a few African countries in the area of agriculture.

Similarly, in the field of health, we are working together to tap into each other's comparative advantages through initiatives such as the Global Disease Detection Center, which will facilitate preparedness against health hazards. The productive CEO's forum meeting of last week has come up with several interesting ideas for investment-related bilateral cooperation in such areas as clean energy, technology, health, agriculture, education, security, and aviation, trade, and energy efficient building projects.

To fully reap the advantages and the benefits of the democratic dividend, we need to ensure that there are ample opportunities for education and self-development for the young population. Nearly 100,000 Indian students study in U.S. universities and the education sector is a crucial area of our

expanding cooperation. Next month, we will have the inaugural India-U.S. Summit on Higher Education, which we hope will help institutionalize a framework of cooperation where we might be able to benefit from the experience of the United States in university education, community colleges, faculty development, and also to promote student exchanges.

This is just a glimpse of the broad canvas of engagement that we have between India and the United States at the bilateral, regional, and global levels. Our shared values, intensified political engagement, expanding framework of dialogue mechanisms, growing business linkages, and most importantly excellent people-to-people links will shape the growth and infuse further dynamism in the India-U.S. partnership in the coming months, years, and decades.

Of course, there will be issues on which there will be a difference of views, and Bill also mentioned this. It is a relationship that is wide in scope and such areas of divergence in some case are bound to exist. It is quite natural that we would not have the same views on all issues, but we need to deal with a sense of maturity, and I believe we are applying that sense of maturity without losing sight of the broad, long-term strategic goals of this relationship and also with sensitivity to each other's vital interests. As I said the other day, pride and prejudice has to be replaced by sense and sensibility.

So ours is a natural and enduring partnership. It is my firm conviction that the future of the India-U.S. strategic partnership is very promising and will advance the cause of peace and prosperity of our two peoples in the 21st century.

Thank you.

(Applause)

MR. TALBOTT: Okay. Well, let's hear it for the Austin Doctrine.

I would suggest we only have about 15 minutes before -- pardon?

SPEAKER: Microphone.

MR. TALBOTT: Thank you, Martin. A full-service colleague. (Laughter)

Since we only have about 15 minutes before the proceedings are going to come to a close, I'm going to suggest we go straight to questions from the floor.

Gary. And then we'll take your neighbor across the way. So you can just pass the mic across.

MR. MITCHELL: Thank you. I'm Gary Mitchell, and I write the Mitchell Report.

Secretary Burns, I want to ask -- I want to ask you this question. Your speech outlined a number of areas where cooperation already exists or is underway. And then it seemed to me there were something on the order of a handful of points that you made that began with the phrase "we hope that the Indians will…" We hope that the Indians, for example, will understand that their moving into a leadership position will mean that they have to act differently on certain circumstances. You talked about that with regard to human rights, etcetera. What -- and those seem to me to be a way of saying that we recognize we have our differences and we hope that we can expect the Indians to step up to the plate on three or four areas that I thought you highlighted in your speech.

My question is if they -- if the speech had been given by your counterpart in India, what do you suppose would have been on his "we hope the Americans will…" list?

MR. BURNS: That's a very good question. And Nirupama can answer this better than I can.

I guess I just offer one example. I mean, just to be honest, I mean, we understand very well sometimes the questions that have been raised by thoughtful Indians about U.S. policy in Afghanistan and the nature of our commitment there, whether or not we realize the long-term nature of that commitment well beyond 2014 and the planned drawdown of U.S. military forces and hand over to Afghan security forces. And so, you know, we understand that we need to address those kinds of questions, not only for the sake of India and our partners there, but also because we recognize what's at stake in Afghanistan. Also, mindful of the enormous complexities of dealing with that issue.

So I guess I offer that as one example of something where I would imagine, without putting words in Nirupama's mouth or anyone else, where my Indian colleagues might express a hope about what the United States might not only understand better but also would act upon in the months and years ahead.

MR. TALBOTT: How did Bill do?

MS. RAO: Well, I just mentioned in my remarks that across the board the extent and the depth of the engagement that India and the United States have on so many issues of importance, particularly in our region, has only grown in recent times. And I think, for instance, yesterday when

Secretary Clinton and Minister Krishna met, their 50-mintue meeting devoted a lot of time to the situation in the region and to Afghanistan in particular. I don't detect a divergence of views or a contradiction in terms of positions between the two sides. You know, I think both our countries understand the nature of the threat that faces us as democracies, particularly from terrorism emanating from the immediate neighborhood from our region itself. So in that sense I think there is much value that both sides are bringing to their discussions on the subject and the extent of cooperation, particularly on counterterrorism, has only grown in depth and importance.

MR. TALBOTT: Thank you. This gentleman right here and then we'll go to Martin.

SPEAKER: Thank you very much.

Mr. Secretary and Madam Ambassador, in 2001 it was al-Qaeda attacking the U.S. and the U.S. took action against al-Qaeda in Afghanistan. Now it's Lashkar-e-Taiba based in Pakistan attacking not only the U.S. but also India and across the globe. Now it is in limelight by (inaudible) and U.S. officials among also Indian prime minister and others. Madam, you've been dealing with Pakistan as the foreign secretary, as far as terrorism is concerned across the border, not only into India but also in Afghanistan. What is India doing, Madam, as far as terrorism across the border? And also earlier there was an issue here, the major issue in India, the corruption problem. And Mr. Secretary, what is the U.S. doing now as far as tackling the terrorism which is hurting Indian, U.S., and across the globe? Thank you, sir.

MR. BURNS: Well, I'll be glad to start anyway and then turn to Nirupama.

I mean, with regard to the issue of terrorism and violent extremism, particularly in South Asia, the president and Secretary Clinton have been very clear about the depth of our concern, not just about the Haqqani network and the obvious threat that it poses to us as well as to others in the region, as well as to the people of Pakistan, but we've also stressed the importance of not distinguishing amongst different terrorists or violent extremist groups, whether it's the Haqqanis or Lashkar-e-Taiba. Lashkar, as you know, we regard in the United States as a terrorist organization, as a threat to us, as a threat to India, as a threat to Pakistan's future, as well as a threat to people around the world. And so we believe that there's a shared interest with Pakistan in fighting against those groups. We believe it is deeply in Pakistan's interest to act against that threat and we hope very much that we'll see action to reflect that

kind of an understanding because the threat is only increasing. And the only thing I would add to that is I think particularly because the horrible -- the horrific attacks in Mumbai almost three years ago, counterterrorism cooperation between the United States and India has increased considerably, and that's something we attach a very high priority to and look forward to expanding.

MS. RAO: Well, to answer your question, I think the burden of our refrain has been to consistently emphasize that you cannot have a segmented approach when it comes to applying pressure on any terrorist groups. You have to deal with all the groups that threaten peace and stability in our region. And my mind goes back to the immediate aftermath of the 9-11 attacks and what the U.N. Security Council said at that time in the resolution that it had adopted saying that those who provide sanctuary and provide haven and provide assistance and support to terrorist groups need to accept the responsibility that they have in order to eliminate their influence, the influence of these groups, and to desist from using these groups in any manner that creates instability in the region and that these groups, they have to cease using these groups as proxies to promote their policy in the neighborhood or in the region or in the world at large. And I think this realization is being shared. India is no longer a Cassandra on these issues. I think India's point of view is increasingly believed in and subscribed to globally.

MR. TALBOTT: Martin, and when you're finished if you could pass the mic right to the gentleman behind you and that'll be the last question because we have to wrap up.

MR. INDYK: First of all, I want to thank you both for gracing us with your presence today and the substantive and comprehensive nature of your presentations. I remember that you both appeared together at our first Brookings FICCI strategic dialogue and it's very useful to think back to that time two years ago and the progress that has been made in the relationship that both your presentations today represented.

We had a discussion earlier today about the role that India is playing on the global stage and the fact that the United States and India have had an experience recently in which you're both on the Security Council together, not yet in India's case as a permanent member. But it was in a sense a promise of things to come. And particularly of a Libya and Syria, there have been some serious clashes of positions between the United States and India. And so I wonder if you could both reflect on that experience and what it means for your cooperation on these kinds of global issues that are going to

confront the two parties as you build this relationship because of your responsibilities on the global Stage.

MS. RAO: First of all, let me say that we deeply value the consultations that we've had with the United States on issues relating to the Arab Spring and the upheavals that we have seen in the Middle East and North Africa during this year. It is true, of course, that there has been a divergence of positions between our two countries on the manner of how to address the change that we see and the degree of influence that we can bring to bear on setting a certain direction for trend for such change.

I think in India and in the region that we come from our views are very much impacted by the fact that we have large communities of Indians who live in this region, who work in this region, and they're all Indians of economic levels. They're not necessarily white-collar professionals. They are people who work on oil rigs or who work in factories or who work in the construction industry and, you know, the livelihood issue of these people is very important in terms of, you know, the well-being of their families in India. So that consideration has always been very much, you know, close to our hearts and uppermost in our concerns when we've looked at this issue, apart from the energy security aspect and our huge dependence on our energy sourcing from this region.

When it came to Libya and when the Security Council discussed and resolved to adopt a certain mode of action on this issue, I think our primary consideration or the concern that we sought to articulate was that there was insufficient information at that time about the -- about the nature of what was happening, about the rebellion itself and the influence and the strength of the rebel forces. And apart from that we had the evacuation of about 20,000 Indians to complete out of -- not just out of Tripoli but out of -- literally out of the heart of Libya. Literally out of the entrails of Libya you could say because they were scattered all over the country. It was a huge operation and our minds ere very much focused on that.

But more than that I'd like to draw attention to what our prime minister said at the General Assembly the day before yesterday. Yes, on the 24th when he spoke about -- when he spoke before the General Assembly. And he said when it came to unrest and when it came to this revolution of rising expectations that you see in the Middle East and North Africa that solutions are best engendered from within and they have to come out from within those countries. And for us to seek, to prescribe, or to impose solutions from outside, however well-meaning those efforts may be, may not succeed in realizing,

you know, the best possible results. That has been our worry and that has been our concern about Syria.

Also, we're against violence. We're against violence against civilians by the government and by the organs of the state. But we have to also see -- do our best to ensure that a Libya-like situation doesn't, you know, emerged there where even if you look at the other countries where there has been unrest and things have quieted down, we haven't seen a culmination or the realization of a situation where we can say once and for all that the best has been realized and, you know, the change, everything once it has settled down has resulted in an order that spells the best for the future of those countries. We would very much like to see that and we are for democracy. We are for human rights. But we are also for the rule of law and we would like stability to the maximum extent possible to be maintained.

MR. BURNS: Just two very quick comments to add to your very good question.

I guess first is we demonstrate from time to time. The United States pretends to know monopoly on wisdom in the Middle East. But second, I think this is a reminder -- what we've seen across the Middle East over the last eight or nine months especially -- that we need to build the habits of dialogue and discussion on these kind of issues together. You know, the truth is for all the dramatic advances of recent years -- civil nuclear initiative chief amongst them, you know, we really haven't built up that kind of a conversation between us on these issues. The truth is that the change we see across the Arab world, in particular, and across the Middle East more generally, are going to be with us for months and years to come. This is just the beginning of what are some fundamental changes in that region. They are driven from within and that, as I said in my remarks, is I think the singular strength of what we're seeing in Egypt and Tunisia and Libya and Syria. So it's going to be important for us to build up that habit of conversation. It doesn't mean we're going to see everything identically, but I think the two of us -- the United States and India -- do have a deepening stake in the success of those transitions, bearing in mind their homegrown nature. And the two of us can do things, I think, to contribute to that success.

MR. TALBOTT: Last question and very briefly, please.

MR. SINGH: (Inaudible) Singh, founder and editor-in-chief of (inaudible), a new journal analyzing global issues.

So Ambassador, a very quick question. What is India's strategy for Africa if it has one?

And two, where do both of you see divergence and convergence of interests in that continent.

MS. RAO: Here again I think I would emphasize convergence and not divergence when it comes to our outlooks on Africa. I think the focus of the dialogue, and Bill just referred to the need to develop these habits of dialogue, these habits of cooperation. And I think we've begun that in West Asia. And on Africa I referred to the development cooperation that India and the United States are looking to see translated into action on the ground in three countries with whom we are talking to -- Malawi, Kenya, and Liberia. But we are engaged in discussion with the governments of these countries and are very near finalizing cooperation projects in which both our countries will be involved and where we will help these African countries.

When it comes to Africa, I think there has never been any doubt in our minds that India's -- the identification of Indian interests with African interests has always been very, very clear and consolidated, and over the years it has only grown stronger. From the time of our involvement with the decolonization movements and the fact that especially on South Africa, the kind of profile that India took over the years, our identification with the anti-apartheid movement and with the forces of freedom in South Africa, I think there's never been a question in any African mind or in any Indian mind about India's bona fides when it comes to Africa. And today, with the India-Africa Forum framework that we have put in place, the India-Africa Forum summits, the second of which was held earlier this year, we've embarked on a very ambitious program of development cooperation with Africa in terms of using e-governance, telecommunications, capacity building, education, agricultural cooperation. So the mosaic and the fabric of our cooperation with Africa I think is something we're very proud of.

MR. BURNS: I think it's easy for both of us -- Indians and Americans -- to neglect Africa and its significance at a moment when there's increasing focus on the centrality of Asia-Pacific or the profound transformations taking place across the Middle East. The reality is that Africa is soon to be continent of a billion people, nearly half of whom have been born after 1995. Six out of 10 of the world's 10 fastest growing economies are in Africa today but with huge unresolved problems -- whether it's regional conflicts, disease, poor governance, corruption -- that are going to take enormous effort to try to overcome. It's profoundly in the interests of the United States, just as Nirupama said, it's in India's interest to invest in Africa, not just in economic terms but also in terms of our diplomatic attention and

what we can contribute to helping societies, leaderships, people in Africa tackle some of those challenges because it does matter enormously to both of us. So I agree. It's an area of convergence, far more than it is of divergence.

MR. TALBOTT: Before I give the last word to Rajiv, let me just say first thanks to all of you for participating in this terrific set of session. Nirupama and Bill, the track one of the dialogue couldn't be in better hands and we're particularly grateful that you would find time to stop by for the track two as well.

And Rajiv, let me just say what a pleasure it has been once again to work with you and the other two Rs, Raju and Ranjani and the whole FICCI team. And Nirupama, I mentioned to you -- I whispered to you and I'll say it into an open mic, that Arun did a terrific job of getting us started and thanks very much to the staff of the Indian Embassy for extending its hospitality to us. And finally, Steve and Dino, wherever you are, thank you for all the good work that you put into this. Martin, as you can tell during the course of the day, you have a lot to be proud of and the foreign policy team.

So Rajiv, over to you to close us out and take us home and then you can take all yourselves home.

MR. KUMAR: Thank you, Strobe. And Secretary Burns, Ambassador Rao, Mr. Kanoria, our senior vice president, friends. It's indeed a privilege really for me to offer some concluding remarks at the end of what's been a really very fruitful day of intensive interaction, candid, insightful comments and sort of forward-looking discussion that we've had over the last four sessions that we've had this day. And we are really lucky and deeply honored to have had Senator Warner at the lunchtime. And he's given us a number of directions, you know, to take -- to deepen and broaden the relationship of which I assure you FICCI will endeavor to do its best to implement them as we go forward.

And you know, I think we will all agree that, you know, the sort of -- the discussion that we've had, there is a shared sentiment that we have to take, you know, take this relationship in a strategic long-term way, a long-term manner and not in transaction. That's one of the conclusions that came out of the discussion that we've had. Second, as you both said, the number of shared interests, especially in South Asia and Asia, that will compel us to engage in more intensively and in a more constructive manner as we go forward and that these include, you know, our sort of shared, you know, sort of vision of what

we'll be doing to Pakistan and how to turn China into a multilateral framework which is rule-bound. And as somebody said, sort of prevents it from, you know, becoming aggressive, from being assertive. I think that was a statement that was used. And I think you will all agree that this is just a start.

And, you know, we've been told many times today that we need many more conversations and at very different levels and at all different levels and across. And I think that for me translates into the fact that the FICCI-Brookings dialogue will continue and that gives me great pleasure to invite you and Secretary Burns, you and Ambassador Rao, to the fourth dialogue that we'll hold in Delhi next year because that's reason that we do it alternately. And so please, you've honored us with your presence here and I hope that we will see you in Delhi and you will find the time to make the longer trip this time.

And I must add my thanks on behalf of FICCI and all our team to everybody who has contributed to this, to the panelists, to the speakers, some of them who have made very long journeys to be here, and to the hospitality that Brookings has offered. And to the support that the MEA has given us in conducting this dialogue, very substantive support. And to the Indian support and the Indian Embassy that we have received always and especially in holding this dialogue. So thank you all very much and again, once again, to say that we will hold this fourth session next year and invite you all to do that. Thank you.

(Applause)

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