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PARTICIPANTS:

PANEL 1: INDIAN AND U.S. PERSPECTIVES ON GLOBAL GOVERNANCE ISSUES AND INSTITUTIONS

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PROCEEDINGS

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 Subramanian suggesting 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 billion. 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 initiative 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 its 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 they 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)

