THE BROOKINGS INSTITUTION

EMERGENT GEOPOLITICAL TRENDS: A VIEW FROM NEW DELHI

Washington, D.C.
Thursday, May 5, 2011

PARTICIPANTS:

Introduction:

STROBE TALBOTT
President
The Brookings Institution

Moderator and Discussant:

JONATHAN D. POLLACK
Senior Fellow
The Brookings Institution

Featured Speaker:

SHYAM SARAN
Chairman
Research and Information System for Developing Countries

* * * * *

P R O C E E D I N G S

MR. TALBOTT: I'm Strobe Talbott and I want to welcome all of you here for what is going to be, I think, a very timely and stimulating and authoritative conversation. I want to welcome a number of guests, in particular, the Indian DCM Ambassador Arun Singh, who is a regular here at Brookings and a good friend to many of us, Naveen Srivastava, Political Counselor of the Indian Embassy, and a particular thank you to Geoff Pyatt for coming over to be with us today.

Geoff is a busy guy all of the time. He's particularly busy at the moment. He is the Acting Assistant Secretary for South and Central Asia, which means among other things, he is knowledgeable about and emphatically unavailable to take your questions on recent events in Abbottabad, but Geoff and I worked together very closely in the 1990s, particularly on South Asian issues and I'm deeply indebted to his mentoring and the fact that he's been willing to continue to work on that extremely important part of the world.

Now let me say a little bit about Shyam Saran, our guest of honor and our speaker today. In his case too, as with DCM and the political counselor, we're welcoming you, Shyam, back to the Brookings Institution. You were good enough to be here a couple of years ago to talk about trends in U.S.-Indian relations, which you generally characterized as very favorable. Shyam is an extraordinarily distinguished professional diplomat, his career as a member, of the civil service or what we would call the foreign service, was 34 years, although that does not cover the full length of his service, which in some ways continues right now.

He has had vast and very diversified experience culminating in his taking the post of Foreign Secretary, which as, I think, pretty much everybody knows, is the

senior civil service post in the Ministry of External Affairs. That was 2004 to 2006. And the Indian government, like the American government, is wise enough not to let superb public servants like Shyam retire. They kept him on to help with the conclusion of the civil nuclear deal and the Prime Minister also asked him to take on the responsibility as his special envoy to deal with the issue of climate change. And those two assignments, of course, make him truly expert as well as part of the solution to a couple of the biggest problems humanity faces, what I would even call existential threats, one being the problem of nuclear proliferation and the other being the problem of global warming.

He has another area of expertise that is particularly pertinent to what he will be talking about here with us this morning, or at least part of what he will be talking about because I'm sure the conversation will range far and wide, and that is he is deeply familiar with the Peoples Republic of China. He was India's ambassador there, instrumental in managing India's relationship with China including being part of the negotiations that led, in 2005, to agreement on guiding principles for addressing the border disputes between China and India.

I think the importance of the India-China relationship is pretty self-evident to all of us and it goes beyond the quite stunning fact that close to a third of humanity is governed from New Delhi and Beijing, and I say beyond that we now have the emergence on this planet of ours of something that can be called global governance and both India and China are an extremely important part of that enterprise as well, not least through the G-20.

Shyam is going to talk a bit at the opening about emerging geopolitical trends with some emphasis on the role of China and then my colleague, Jonathan Pollack, who is a senior fellow in our John L. Thornton Center on China is going to lead a

discussion for a few minutes with Shyam and then bringing all of you into it.

So, with that, Shyam, I'll thank you again for being with us. You can either talk seated or up here, whatever you prefer, and thank you again for being with us.

MR. SARAN: Thank you very much, Strobe, for that very warm and generous introduction. I just wanted to make one small correction, I was not ambassador in China, I was DCM in China, but certainly my -- in fact my career began with China because I was allotted Mandarin as my language, so the fascination with China has continued since then.

Strobe, Mr. Pollack, Ambassador Arun Singh, thank you very much for inviting me to Brookings. This is my second time, as you mentioned. I was here a couple of years ago to talk about what kind of nuclear cooperation India and the U.S. could have in the wake of the Indo-U.S. Civil Nuclear Agreement and I'm very happy to see that at least as far as that particular aspect of India-U.S. relations is concerned, this has certainly seen much progress in the last couple of years.

What I thought I would do this morning is to perhaps give you a sense from India as to how we see the world -- new world emerging, how do we see some of the recent developments which are taking place around us, and then perhaps take questions and have a discussion with very distinguished audience here in this room.

When we have been looking at, you know, some kind of a national strategy for India and trying to build up some kind of a long-term view, unfortunately, you know, what are known as black swans, they keep emerging all the time and today we have actually not just one black swan, we have a whole flock of black swans around us which makes any kind of planning almost impossible. But to start with, are there any certainties in the international landscape that perhaps we can peg some of that strategy

to? And how does India view some of these certainties?

Well, there is one certainty that all of us have been talking about for the last few years which is to look at how the center of gravity of economic power has been steadily moving from Transatlantic to Asia Pacific. This region is going to become more important in the future. A lot of what is happening in Asia Pacific will have a direct bearing on the future of the world structure that is going to emerge, and of course in that context the biggest challenge that we face in the region is that we have, of course, the challenge of an emerging China, but our challenge that you have to deal with while you are emerging too, I mean, not on the same scale, but India is also emerging. So, how do you play that particular game, which is one of the challenges that we believe will be with us for quite some time to come. So, that is one certainty.

What is the other certainty? Yes, there has been a relative decline, one may say, in the power and influence of the United States of America compared to maybe a decade ago, but it is our view that the United States of America will continue to be a preeminent economic and military power for the foreseeable future, so whatever may be the relative decline that we are talking about, it is very easy to exaggerate that. Our view is that the United States of America will continue to be a preeminent part, at least in the timeframe that we are looking at.

And in that context, how do we see the economic and financial crisis? What has it done, say, to the United States of America? Yes, there are dark clouds on the horizon, but also, I think there is a prevailing belief in India that if there is one country which has the ability to bounce back and bounce back perhaps even stronger, it is the United States of America. Why do I say that? Because it remains the chief source of technological innovation, it is still the knowledge capital of the world, and it has very

creative entrepreneurship. And all these factors have in the past also, where there have been premature writing off of the United States, I think the same factors, we believe, will perhaps operate in the coming years.

So, this is how we look at some of the certainties that we are faced with.

A third certainty is, Strobe mentioned my work on climate change and nuclear issues, the one thing that certainly came to me during the time that I was handling these two issues is that the world which is emerging, if there is a not tying up of various trends together across the world, it is going to be energy. That is going to be the key issue that we all have to be able to deal with it. And global warming is, of course, in my mind, just the other side of the coin of the energy issue. So, two sides of the same coin, because if you want to make progress on climate change, you can't make progress on climate change unless you do a better job in terms of moving away from our current reliance on carbon-based fossil fuels to an energy infrastructure which is going to be based more and more on renewable sources of energy and nuclear energy. You know, that has been an important consideration in our negotiating the civil nuclear agreement with the United States. We understand that there has been a setback because of Fukushima, there will be a slow down, but it is also our view that nuclear energy will continue to be a very important component of the energy strategies of major countries and in that respect also, therefore, the India-U.S. relationship is extremely important.

Also, because of the importance of the energy issue, what is happening in our neighborhood, in what you call the Middle East and what we call the WANA region or the West Asia/North Africa region, of course takes on a very important salience. How the events in that region play themselves out in the next few months, this will have a very major impact on how India looks at its interests in the region.

There are two things which worry us. One is, of course, this is a major source of our current conventional sources of energy, so any dislocation in this region is of course something which will very much impact on our own growth prospects. Second, we have something like five million Indians who are currently living and working in the Gulf area, so if there is going to be turmoil in this region; obviously this will have, again, a very major impact on Indian interests.

And the third is, and I will tie this up with the other certainty that I mentioned in the international landscape, and that is terrorism, and terrorism linked to fundamentalism, because the way things evolve in the WANA regions or the Middle East, will also determine very much what happens in terms of the whole aspect of terrorism, perhaps linked with fundamentalism. Are there political changes taking place in the region going to create more space for fundamentalist ideologies or are we going to see that actually declining in salience and what we call democratic sentiments, perhaps even secular trends coming to the fore? The jury is still out in our view, and one of the things that worry us is that at least we see the -- what may have been, you know, dictatorial regimes which are under pressure, but their removal, at least there seems to be a creating space for fundamentalist elements. We see this happening, to some extent, in Egypt, we are fearful of what may happen in a place like Syria. Why do I say this? Because there is some space currently between what I would call the pontificate of Sunni Islam, that is Saudi Arabia, and you have Shi'a Iran. I think the space between them is getting squeezed and if there is a major -- as a result of this, a major sectarian conflict, obviously India, which has a very large Muslim population, it has the second largest Shi'a population in the world as well, obviously we will get impacted.

So, we see a number of these trends, you know, linking up together and

creating challenges which India will have to face in the future.

I will now just spend a few minutes in talking about how the relationship with the United States then becomes very important to India in terms of, you know, dealing with both the uncertainties of the moment as well as the certainties that we see which will persist in the future.

Now, one of the things that we were very, very, I think, encouraged by, was when the Obama Administration took over, one of the first communications from the President -- in fact, I think this was even before he became President, to Prime Minister Singh was that he would support the Civil Nuclear Agreement. In the Senate he had not always been very supportive of the Civil Nuclear Agreement but he said he would fully support that agreement, and the second thing which he said was, and I hope that that vision still survives, that the future is going to belong to countries which will, in fact, bring about that shift from fossil-based energy to renewable energy, that the jobs which will be created in the future in the United States of America will be green jobs, and in that context he said that if you look at the creative entrepreneurship which is there in the United States, the kind of innovation skills that are in this country, and you see the counterpart in terms of Indian scientists, Indian IT experts, a very vibrant entrepreneur class in India, if these two were able to develop a partnership, what could they not achieve?

A very, very positive image and I know that we have run into some problems in terms of taking much of this vision forward, but I think this is something which certainly excites us in India very much because this is one area that we are working very seriously. You know, we have probably one of the most ambitious solar energy programs in the world. A lot of work is going on on things like, you know, clean coal energy

efficiency, in which a partnership with the United States of America really is something, which is a no-brainer.

Secondly, if we are looking at Asia Pacific, and if we are looking at the, as I said, the emergent of China, what happens to the security architecture in this region? What happens to the economic architecture in this region? Not a matter of trying to contain China, but certainly managing the consequences of China's rise, I think there is a great deal that India and the United States can do together.

Already there is a considerable amount of consultation, a considerable amount of coordination, but I think there is a long way to go.

If we identify energy as an important element, linked to that of course is our increasing dependence upon the sea lines of communication. Virtually every country in the region, including the United States, India, China, Japan, all of us are more and more heavily dependent upon the safety and security of the sea lanes, and in that context I think India has demonstrated its capabilities, has demonstrated its willingness to act. You'll remember that India and the United States of America actually worked very closely tighter in the aftermath of the tsunami, 2004/2005. That is what led to a considerable amount of, you know, naval cooperation between the two countries.

I think there is a very important case that can be made out for taking this particular cooperation forward in the region.

So, if the -- you know, some of the commentators have been saying that, you know, there could be a new cold war which would be on energy, but it would be played through the maritime realm, so if that is the kind of challenge which we are facing, then I think India and the United States have actually a great deal that they can do together.

I see -- when I see the relationship between India and the United States today, compared to what it was in 2004, 2005 when I was foreign secretary, there is a sea change in the relationship. Now I do understand that sometimes, you know, there is a disappointment because we keep our attention focused on very big-ticket items like the Indo-U.S. Civil Nuclear Deal, which is very important, I do not say that it is not significant, but I think we need to get away a little bit from always looking out for very big, you know, spectacular big-ticket items, and losing sight of the fact that such a tremendous amount of substance and a great deal of broadening of the relationship that has taken place in the last few years, and this is a very short period, by the way, it's only about five or six years since this phase of relations began between India and the U.S. Extraordinary development in the relationship, whether we are looking at the investment relationship, if we are looking at the trade relationship, the science and technology relationship, and thanks to some of the removal of the technology denial regimes, there is a great prospect for increase in high tech trading, because that is what India needs.

A lot more happening on the defense side. I know that there may be some disappointment about the MMRCA, but, you know, there are other very important, you know, hardware purchases which have taken place in the recent past and will continue to take place in the future.

So, I think we should resist the temptation of looking at Indo-U.S. relations only through the prism of one or two big-ticket items. I think it is important also to get a proper perspective to look at the broader relationship that has developed and all I can say is that there is a strong, not only within government, but certainly amongst the people of India, there is a great sense of optimism about the relationship with the United States, great admiration, of course, for the United States, and whatever may be the

sense of, you know, any decline in U.S. capabilities, in India, certainly, we have a very optimistic view of the future of the United States of America. Thank you very much for your attention.

(Applause)

MR. POLLACK: I want to thank our guest for some very candid and insightful remarks as we all grope or ways, if we can, to a new framework for international order in the 21st Century of which, obviously, the United States, India, and China will all be critical component pieces.

What I'm struck by in Shyam's remarks is very much how -- not the irrelevance of the inherited structures, but how much the old structures, the old relationships, have been overwhelmed, if you will, by the degree of economic and technological change with which we are all grasping, and I think that our separate societies and political systems are trying to come to terms with this as well.

So, the immediate question seems to me is, how much the inherited classic security agenda, if you will, persists, or is it, as President Obama has tried to suggest, is there a new set of challenges that emerge atop that traditional order? And if so, how do the major powers find ways and means to cope with these kinds of changes? Added to this, of course, are the questions of China. There are, on the one hand, many undeniable factors that have emerged. We can't dispute them. China as the, if you will, the global factory although even in that respect as wages rise in China that may be less the case in the future, but how one manages, if you will, China's appropriate inclusion in this process, because it is inconceivable to me to imagine any resolution of some of these critical questions, whether it be on energy, whether it be on global order in other forms, whether it be on the classic kinds of security rivalries and so forth, that do not have

China present and accounted at the table.

So, none of us have answers to these questions. I would, though, be very curious whether there is an emergent view in India in the leadership or in Indian opinion circles more generally, on how committed China would be to a stable, an advancing, and an emergent relationship with India. There are a number of question marks here, 2010, of course, was a very, very difficult year in terms of China's relations, not only with its immediate neighbors, but there were also some troubling incidents between china and India, denial of a visa to an Indian general and so forth, but there do seem to be even there, some indication of the Chinese, to some extent, recognizing some of the costs that were imposed, some indications that there will be a renewal of defense relations between India and China.

But I am curious, if you could make a few comments on how you or India, more generally, if you can speak for 1.1 billion people, see the larger Chinese perspective or multiple Chinese perspectives on long-term relations with India.

MR. SARAN: I'm glad you said you didn't expect any answers.

MR. POLLACK: Good. Okay.

MR. SARAN: How do we expect the future to play itself out with China? Well, I think if you ask me what is the essential nature of the relationship between India and China that we are looking at, I would say, yes, the relationship appears to be a competitive relationship, perhaps at times even an adversarial relationship, but we also believe that there are strong elements of convergence between the two countries, convergence in terms of, you know, taking the economic relationship forward, which is extremely promising, both from the side of China as well as from the side of India. I think it's not an accident that, you know, bilateral trade has suddenly grown to something like

$60 billion and we have a target of nearly $100 billion. Those are -- from the Indian perspective, these are very large figures. There is a considerable amount of cross-investment taking place. Indian firms investing in China, Chinese firms investing in India. Of course there are always some security considerations which surface during -- when these kinds of deals are being made, which is the same thing in the United States of America, isn't it?

So, what we find is that there are elements of competition, there are elements of convergence. Our strategy has been, be prudent but firm as far as, you know, interests on which there are divergences, like you mentioned, the visa issue. There are lines China must not cross, and I think it's very important that we come out fairly clearly as to what are the lines that we do not want to see crossed. There are areas where we are able to work together quite well, and my own experience in the climate change negotiations was that China did work very closely together with us because there were issues on which we had a very similar kind of perspective. Yes, we have been working together in the WTO on a number of issues, sometimes not to the liking of the United States of America, but I think it is important not to look at the relationship in a black and white fashion.

So, are there ways in which we can manage the relationship so that the possibility of conflict, the possibility of confrontation, is, if not eliminated, at least is minimized. And I think by and large this has been the case over the last several years. The good thing has been that there has been regular meetings, regular interaction, at the leadership level, whether it is through bilateral visits or whether it is through meetings that take place on t he sidelines of important multilateral conferences, and my sense is that the leadership in China, certainly the current leadership in China. Of course, 2012, what

will happen? We still have to wait and see. But certainly the current leadership in China appears to be equally interested in making certain that the relationship is managed in the same manner as we want. That is, recognizing that there are fault lines but making certain that these do not get out of control.

So, will this continue to be the case? You know, we have to wait and see. Why is India, for example, quite willing to work together with China, say, in (inaudible)? Well, it provides another forum through which some of that rigidity, some of that, you know, sharp edges in the relationship can somehow be, you know, in a sense, managed with a degree of positive feeling.

So, complicated relationship. I suspect that same complex relationship is there between China and the United States, but I would say that on balance, there is far more -- there is far greater convergence in terms of how we look at things developing, particularly in our region, with the United States than perhaps with China.

MR. POLLACK: One other question here and then I would like to open this up to questions from the floor, of which I'm sure there will be many. China enjoys, dare I say, a nearly unique relationship with Pakistan. Pakistan is clearly a very troubled state in a variety of ways, underscore it even more by the events of the past few days. Presumably, this is not something that the Chinese have been very forthcoming in their interactions with India about, but could we -- I've heard some voices coming out of China of some concern about the state of affairs in Pakistan and this long precedes recent events. Can we imagine ways in which this looks less zero sum, or is there any kind of a possibility that you could imagine where China and India could have an intelligent and reasonable and candid discussion about Pakistan's future and what that implies for both countries?

MR. SARAN: It's not that we don't have conversations with China about Pakistan or what's happening within Pakistan. It is also not the case that China does not express concern about developments in Pakistan, particularly with respect to, say, fundamentalism or how this impacts on, say, Sinjia. But having said that, I think the Chinese support for Pakistan, I think, is almost unconditional, certainly as far as, say, relationship with India is concerned. We have to accept that as a fact of life.

What we do see, if I look historically at various points at which there has been confrontation between India and Pakistan or even conflict between India and Pakistan.

There has been a certain caution in China so they may make sort of rhetorical statements condemning India, but there has not been much of a stomach for actually getting into an armed confrontation with India on behalf of Pakistan. Will that remain true? Well, let's see. But Pakistan is a very good, in a sense, and very convenient, you know, (inaudible) for China. So, I'm not surprised. As a professional, I'm not surprised that this is a very convenient thing for China to pursue its interests in the subcontinent.

But I as the salience of India-China relations, as the substantive content of the relationship between India and China continue to improve, yes, obviously this will have some impact on the relationship with Pakistan. Much will also depend upon what happens in Pakistan. You know, there is a certain minimum degree of, shall I say, coherence that you need in Pakistan for it to be a coherent ally.

So, that is something which is perhaps more worrisome, and as that's worrisome not only for China, it is worrisome for all of us.

MR. POLLACK: Indeed, indeed. Very, very well put.

I'm going to open the floor to questions. Yes, and please identify yourself, although our questioner needs no introduction.

MS. SCHAFFER: Thank you; I'm Tasie Schaffer, southasiahand.com and various other incarnations. Lovely to see you in Washington again, Shyam.

MR. SARAN: Thank you.

MS. SCHAFFER: I wanted to go back to what you said about the very strong dependence of India and the United States on the sea lanes of communication and I took this to mean in particular those that run through the Indian Ocean, and ask if you could sketch out at least briefly your idea, your concept of the best way of assuring the security of the Indian Ocean, and whether you think that India and China have similar or compatible visions of that.

MR. SARAN: What we have been saying, not only to China but also to the countries in the region, for example, Southeast Asian countries, or in our interaction with, say, Japan or Australia, is that what we need to see in the Asian region is -- the (inaudible) is open, inclusive and transparent, balanced, security architecture in the region. So, our vision is that, you know, one of the pillars of that kind of architecture in fact could be maritime cooperation between India and the United States of America.

Now, some of that is already in place. I referred in my remarks to the very good cooperation that India and the U.S., and of course, also Japan and Australia had, in the weeks after the tsunami. A number of procedures which were developed at that time for us to work together have been the basis on which we have developed our cooperation forward. And I suspect that that is going to continue. There have been, you know, regular exercises between the naval forces of the two countries, but we don't see this only as Indo-U.S., but we have, in fact, in the last couple of years, had very good

interaction on these issues with, say, Indonesia. One of the very positive things that has happened in the last five years is a very significant improvement in the relationship between India and Indonesia, and as you know, the last island in the Indian chain -- Andaman and Nicobar chain is only about 80 kilometers from the first island in the Sumatra chain, so we are actually maritime -- very close maritime neighbors, something which is not always very obvious.

So, and you may have noticed that the chief guest for our Republic Day this year was Yudhoyono, his second visit to India in five years. So, there is a great deal happening with some of the important countries in the region.

For somebody like me who has served in Japan, I was there fro '86 to '89, when I see the relationship between India and Japan today compared to what it was at that time, it's a completely different relationship, and the maritime relationship between the two countries is a very important component of that.

So, I think the vision that we have is that it's a looser kind of an arrangement in which China is not excluded, by the way. We believe that the safety of sea lanes is actually an issue which is as important to China as it is to India or the United States of America.

Now, will China be ready to join a multilateral kind of an approach to this issue or does it believe that a unilateral sort of assertion of dominance in the region is the way forward. We believe that that would be a wrong choice for China to make.

So, this is something which, you know, in terms of the engagement that I was talking about between India and china, and perhaps between the U.S. and China and many of the countries in the region and China. This is something which, hopefully, will evolve in the right direction.

MR. POLLACK: Yes, right here.

MR. MITCHELL: Thank you, Mr. Saran. I'm Garrett Mitchell and I write the Mitchell Report. I'd like to come back to the second of your certainties, which was, I think as you describe it, a relative decline in the power and influence of the United States, and ask if you could flesh that out a little bit for us with some specifics. I'm aware that a view similar to that exists in China and it would be interesting to know what factors or what metrics, what specifics you look at in order to make that characterization other than in sort of a general way. What is it about what the United States is doing, isn't doing, and if I can just add one more component to that, one of your countrymen, Fareed Zakaria, in his book, "The Post American World", talks at some length about the extent to which our domestic political difficulties will greatly influence our capacity to be as effective in the years and decades ahead.

So, I would be interested to know if you could give us some specifics -- some thoughts about what it is that you and others in India and elsewhere, look at when they make the determination that India is losing some power and influence.

MR. SARAN: Well, I mean, coming from a country which has a lot of political difficulties at home at the moment, I can certainly sympathize with the kind of domestic dynamics that we see currently in the United States, but this is the stuff of democracy, so I don't worry about it too much.

Yes, just as in India domestic developments always influence our foreign policy decisions; I am sure that the same happens in the United States of America. Having said that, yes, certainly, whether or not, say, the United States of America, when I mentioned that if there is one country which has the potential, both amongst the countries which have been impacted by the crisis, if there is one country which has the potential to

bounce back, and perhaps bounce back strongly, it is the United States of America because it has the right ingredients for that kind of recovery to take place. Whether it will happen or not, of course, then is going to be very much influenced by whether or not there is a domestic consensus behind some of the hard decisions which have to be obviously taken in this country. Can you build up a consensus on certain very important policy measures?

As I said, that is something which remains to be seen, but I'm not surprised by that because we see this happening all the time in our own country.

I think it is important for you to understand that we are not saying that the United States of America has become a weak (inaudible), what we are saying is that others have -- you know, their salience has increased. If China is now, today, the second largest economy in the world, obviously this will have an impact in terms of, you know, the diffusion of political and economic power in the world. If India is going to become, what, the fourth largest or fifth largest economy in the world, obviously this is going to have an impact in terms of how much the United States of America can have its way, say, in trade negotiations. You see that happening all the time. Why is there a problem between, say, India and the United States of America with respect to certain issues in the WTO negotiations? Well, earlier the United States of America could have said, we are the strongest economic power in the world, we are the biggest (inaudible) power in the world, this is what the rules of the game should be and I'm afraid most people would have to fall in line.

What is different today? What is different today is that countries like India and China and Brazil and South Africa maybe are saying, sorry, you know, there are interests that we have and we are not willing to be railroaded into accepting

something which we believe is not in our interest.

What does this imply for the United States of America? I think it implies a change in mindset, a change in mindset in terms of, perhaps, looking at how we can work together with other (inaudible) rather than think, you know, in the old categories.

It is sometimes difficult. It is also difficult for us as emerging countries to take on certain kind of roles which in the past we have not had to. So, all around there is, one, a change in the ground reality, but, you know, our mental -- our thinking processes have not quite caught up with that change in the ground reality. I think that is really the problem.

But it is a work in progress. As I was mentioning to you, if I see the relationship between, say, India and the United States in the last, you know, five or six years, even during this rather short period, there has been a considerable amount of change of thinking in both countries, you know, in the negotiations that we were having on the civil nuclear energy deal, this was precisely part of the complexity of the negotiations because we were, you know, asserting certain rights, certain entitlements. United States of America felt that, well, you know, we are giving you a big thing, you know, you should accept what are the rules of the game as we see it.

So, there is a certain change in the manner in which we deal with issues that is required. It's difficult, it is complex, but I think it is beginning to happen.

MR. POLLACK: Thank you very much. I'm reminded of -- there's a very famous self help book in the United States the opening lines of which are, "Change is difficult." So, even on a broader international scope.

MR. SARAN: You can say that again.

MR. POLLACK: Yes, right here, please.

SPEAKER: Thank you. (Inaudible) American University. Welcome, Shyam, nice to see you again. I'd like you to come back to the Indian Ocean please. You didn't mention any African country that might be involved with this new inclusive safety or security of the Indian Ocean, and nor did you mention the bifurcation in the American approach to the Indian Ocean between Central Command and CIMPAC. And I was wondering if you could elaborate on the western part of the Indian Ocean and how you envisage India's role, for example about the sea that's off the coast of Africa, and so on?

MR. SARAN: Well, I'm sorry if I gave the impression that the favored structure that we were talking about applies only to the eastern reaches of the Indian Ocean. Maybe that impression came about because of the Chinese factor in this, but certainly the same would apply as far as the western reaches of the Indian Ocean.

In the western reaches of the Indian Ocean, again, we have had a fairly longstanding arrangement in terms of, you know, safeguarding the sea-lanes. This is with some of the countries in the Gulf, but you probably know that we have a fairly close security understanding with Mauritius, with Seychelles, some of the island countries in the region, and maybe it is not as salient as the eastern side is, but for us, actually, this is also extremely important because of the factors that I mentioned in my opening remarks.

CENTCOM and the Pacific Command, well, there has been talk in the past about, you know, having the same kind of interaction, regular interaction, between the CENTCOM and the Indian security establishment as we have with Pacific Command. I don't know whether maybe informally something is already taking place, but we certainly -- in the strategic dialogue that we have with the United States of America, it's not that this is not taken into account.

I think the reason why there used to be a reticence on the part of the United States to have these conversations on the CENTCOM platform was because of Pakistan. So, that is really -- the hesitation there has not been so much from our side, but the hesitation has been there perhaps because of the sensitivities in the U.S. relationship with Pakistan. But I'm talking out of ignorance because quite honestly, I'm not quite sure what has been happening on that front in the last few years.

MR. POLLACK: Thank you very much. Yes, directly in the back.

MR. PURSEL: Hi, I'm Brian Pursel. Good to see you again. I guess I want to follow up really on the Indian Ocean and Southeast Asia. I think there's a perception in Southeast Asia that India talks a very good game but there isn't all that much substance, particularly in the Indian-Indonesian relationship or the Indian relationship with Vietnam, so I've really got sort of two questions, I guess. Where does -- I guess we could put it -- the "look east" policy as a whole fit in the priority list for Indian foreign policy? And the second question would be, how much of the budding relationship between India and Indonesia, Vietnam, Singapore, Japan, Korea, how much is China a factor in this relationship? Because all of these countries are hedging against China at the same time.

MR. SARAN: Well, I'm not surprised that people are hedging against China. Everybody is hedging against China. So, you know, I think this is a classic case of glass half full or glass half empty. As I mentioned in my remarks that if I look at the level of engagement with Southeast Asia and with, say, countries like Japan, Australia, say five years ago and today, given the slow manner in which the Indian system works, I think there has been remarkable progress. We cannot work in the manner that people see China, for example, working because our systems are different. You know, our

polities are different. So, to expect India to sort of take snap decisions and implement them very quickly, well, I'm afraid you will continue to see a bit of a zigzagging pattern in the way we interact with other countries, but I would say that overall over the last few years when President Obama said, you know, not only look east, but engage east, I think that is in fact the reality which is unfolding. The salience of the Southeast Asian countries, East Asian countries, has certainly dramatically changed in the last few years.

So, yes, maybe the expectations of India amongst some of the Southeast Asian countries may be that we are not doing enough, we need to do more. Granted, I accept that we need to do more. But it's not as if, you know, nothing has happened.

By the way, in fact there are several (inaudible) which have been set up for increasing interaction on both economic as well as security related issues. In fact, you know, we have now something called the India-ASEAN Eminent Persons Group of which I have been made a member, so I will take your criticism to that forum and try and see what we can do to dispel that.

MR. POLLACK: Strobe?

MR. TALBOTT: Shyam, I hope you won't mind taking a question about the big story, which I would characterize as the extra-judicial, extra-territorial execution of Osama bin Laden, and I would focus not on the action itself, but what it tells us about Pakistan, both from an Indian standpoint and insofar as you would be comfortable speculating about it from a Chinese standpoint.

The circumstances of his death, we are learning more about as the days go by, but what is extremely significant, it seems, is the circumstances of his life for the last number of years, and what that tells us about the very complex arrangement

between him and powerful circles and people in Pakistan. And obviously that has bearing on India's security and you do know China so well, and the Chinese are very sotto voce about this, but they also are aware of connections between al-Qaeda and extreme Islamist secessionism, particularly in Shinjan. So, would you give us your thoughts on these two questions?

MR. SARAN: As I mentioned, Strobe, that it's not that we have not had this as a topic of conversation between China and India, you know, the fundamentalism as a threat to both the secular society in India as well as to China and the threat faced by China from elements which may be based in Pakistan, but at the end of the day the Chinese perception, so far, has been that, yes, there is a threat, but Pakistan is such a close ally that it will always deliver on whatever we want Pakistan to deliver on. So, if you just take, for example, the Lal Masjid case, I mean, in a sense, that was the beginning of the end for Musharraf, but he took that action because China was mad because of what had happened to its six nationals.

So, as long as there continues to be a feeling in China that at the end of the day its larger interests are served by this alliance with Pakistan, and that this particular threat -- very specific threat, of terrorism in (inaudible) can be contained, can be handled. Because of the very close understanding and relationship between the two countries, I do not see much change taking place in that. It is depressing, but I think that's how we see the relationship.

Now, as far as the impact of this particular incident is concerned, of course you have seen the Indian statement. Obviously we are very happy that he's no longer around, but I think the question in our mind is, how is this going to play out in the next few months? That is the key question. One is, will the United States of America and

the international community use what is a big leverage today in your hands to try and bring about a fundamental shift in Pakistani thinking about the use of terrorism as an instrument of state policy or is there going to be a temptation to use this for some short-term ends, short-term end being, well, can we bend them to our will to help us with our exit strategy in Afghanistan, which will be perhaps a short-term gain, but may not resolve the longer term challenge that it poses.

We would certainly hope that it is the latter, because that is -- unless that change comes about in the manner in which Pakistan looks at its interests vis-à-vis India, vis-à-vis Afghanistan, vis-à-vis the United States of America, I think we will continue to face this problem.

MR. TALBOTT: I must observe that this is a story that clearly beyond the specifics of what has just occurred will continue to play out. As we all know, the SEALS gathered up an enormous abundance of information, computers and the like. I am sure that that is being analyzed very, very closely now. This story is far from at an end in terms of --

MR. SARAN: Yeah, so it should not be just, you know, we have got the Pakistanis where we want them, and you know, great, they now can't hide behind anything. I think there is an opportunity here as well to try and see whether or not one can bring about a shift in the way Pakistan thinks.

MR. POLLACK: We have questions all over. Yes, please.

SPEAKER: Thanks. Shyam, can I take you back to your remark about U.S.-India relations and in particular the perils of putting all of our eggs in one or two big high profile baskets, and I just wanted to sort of push on that a little bit and also draw you out in terms of the way ahead.

I would argue, certainly from our side of the table, one of the things that was important about the U.S.-India nuclear deal was it helped to focus both of our large complex bureaucracies on collaborating on a joint venture that was blessed at the senior most levels of both governments and helped to build these habits of cooperation which have not always characterized our bilateral relationship.

I think from a Washington standpoint, in the sort of short-term future, if you were to ask me what might be the vocabulary of our collaboration looking ahead, I would certainly point to Asia and the very prominent role that India plays as a keystone of the Obama Administration's wider strategy for engagement with Asia on all of the issues that you've talked bout this morning, including maritime security and global commons and all the rest.

Another would be Afghanistan, and the critical role that India has to play, both as a diplomatic partner in the diplomatic surge that Secretary Clinton has described, but also in the process of building political and economic development in Afghanistan over the long-term.

And a third I would site would be our bilateral economic partnership and the role that both of us in government have to play in eliminating further barriers to propel the rapid growth in trade and investment that's already taking place. But I would argue that, sort of, just sitting back and letting gravity do its thing is a recipe for not getting where we want to get in terms of the bilateral partnership, and so with that preface, I guess I would ask for your comments on those thoughts and also your own, as somebody who's contributed so much to this relationship but now has the privilege of being out of government, your own thoughts of what the target set might look like for the next, say, three or four years of the U.S.-India relationship.

MR. SARAN: First of all, let me say I agree with you entirely that gravity is not going to deliver what we expect in India-U.S. relations. So, yes, there is a momentum in the relationship, but we have to nurture the relationship, like any relationship. So, I think both governments have the responsibility to do that nurturing.

Because of the fact that just as you have, you know, a somewhat complicated polity in this country, we have also, perhaps, an even more challenged polity in India, so there is always a problem because we look for, you know, linear kind of progress when actually if you look at the history of the relationship it has always been somewhat zigzagging all the time. So, we have to accept that. Because we are democracies, we sometimes become very impatient with each other, but, you know, unfortunately that is the reality, that there are different constituencies in the country, there will be winners and losers in terms of some of the things that we take forward, we have two factor that in. There will be periods when there will seem to be very little progress, there may be periods where you are moving ahead very fast. Is the leadership in the country preoccupied with some major domestic political developments? Is it able to bring the same kind of attention to the relationship as it was able to do, say, a year ago? I mean, all these factors have to be taken into account.

What I see as, you know, as I said, the future of the relationship, the -- I say the pillars are already in place, it's a question of how do we leverage that for the future? In that context, as I said, the kind of expectation or the kind of estimation that we have of what is going to happen in the next few years, of, I think probably one country which has a very optimistic view of the future of the United States, and a view that much of what we want to do with ourselves, in terms of creating a knowledge society, in creating a industry which has cutting edge technology, where we are able to build on our

strengths, the United States of America is the preferred partner.

So, I think it is important to get away from some short-term, you know, maybe -- not setbacks, but perhaps a little lack of momentum, which we may have expected, but it has not come about.

The habits of cooperation that you are mentioning, we have already traveled a great distance thanks to our experience working together on the Indo-U.S. nuclear deal, but, you know, is there something now that is accomplished? I would say no. It is still a work in progress. There still has to be on the Indian side -- I grant that on the Indian side we have to get that habit of cooperation down to various levels of our bureaucracy, of our different ministries and agencies. It's not always something which can be taken for granted.

So, we have a lot of work to do, I grant that, but we would also hope that a similar kind of sentiment is also here, because this is a new way of dealing with one another. For the United States of America, as I was mentioning, there may be a sense, hey, you know, we have managed to get this far. It stands to reason that, you know, say, you should be supporting us in the Security Council on, say, Libya, or what are you doing with the Chinese in the bricks (?)? But I think, you know, there has to be a sense that, you know, this is a partnership, there will be, perhaps, areas where we may not exactly see eye to eye, but overall, there is a willingness, number one, to engage in a conversation about things which we agree upon but also equally things on which we may have somewhat different perspective. And it is inevitable that there will be some differences in perspective with respect to certain issues. I mean, how we see, for example, Pakistan, or how we see things evolving in Afghanistan, may not exactly be the same as the United States of America. But having said that, my sense is, throughout the

last several years, that the area of convergence between the two countries, the commonality of interests between the two countries, has actually expanded and that's the good news, and that is what we should be working on.

MR. POLLACK: Thank you very, very much. I assume this was all an unofficial exchange.

Yes --

MR. SARAN: I'm not an official.

MR. POLLACK: I know -- well, that was more directed at him. Maybe we can move more toward the back of the room. Yes, right here first, and then there. Yes, thank you.

SPEAKER: Jack (inaudible), George Washington University. The last two questions set the stage for what I was going to ask. One, about China nexus with Pakistan. Recently after the Sunday incident, China impressed upon Pakistan not to release any information about (inaudible) cases and so on and so forth and not to give any information to India. That's one instant. Two, Pakistan, in a recent delegation to Afghanistan, Prime Minister Galani and so on and so forth, impressed upon Afghan government to rely more on China than the United States. So, if you see (inaudible) trend with Pakistan and China. China always tries to create problems for (inaudible).

MR. SARAN: Well, I was not aware of the fact that Pakistan has asked -- sorry, China has asked Pakistan not to share any information on 26/11. That's news to me. I must confess I have not seen that report.

I think much will depend upon how Pakistan sees its own interests in the engagement with India. So, from our side we have opened the possibilities of a positive turn in the relationship and in that what Pakistan does to bring closure to 26/11 and

punish those who were responsible for that horrifying incident, is going to be a key in terms of any kind of reestablishment of at least a minimal degree of trust and confidence.

So, if this is what China has told Pakistan and if China -- if Pakistan believes that, yes, this is in Pakistan's interest, I'm afraid India-Pakistan relations will not move in a positive direction. I mean, that's the reality.

Reported remarks by Galani to Karzai about depending more on China and less on the United States. I think the ground reality, as we know, is very different. So, I cannot see -- I cannot see how even from Pakistan's perspective. What the U.S. role is going to be in Afghanistan is also critical to its own security interests.

I think the problem really is that Pakistan is not quite certain about what its interests are. It is still thinking in very old categories when the whole situation in the region has changed. So, to think in terms of, say, a strategic depth in Afghanistan, it is today -- I think it is quite irrelevant. Or to think in terms of, you know, being able to keep India off balance through the use of terrorism. Well, this is something which already you are seeing is eating into the Pakistani polity itself. It's a danger -- more of a danger to Pakistan than it is a threat to India. There are far more terrorist incidents taking place, far more Muslims being killed in Pakistan than today, I think, in India.

So, is Pakistan still going to -- despite the reality that it confronts -- is it still going to think in those old terms? If it does, than I'm afraid, you know, the situation will not change for the better. This is why I said what the reaction to this latest incident is going to be, is what is more important than the incident itself.

MR. POLLACK: Yes, toward the back. Yes, right there.

SPEAKER: My question is about India-Israel relationships. Over the last 10, 15 years, there has been a steady (inaudible) positive and robust relationship

developing. The neighborhood around Israel is changing rapidly and (inaudible) I was wondering what comment in terms of India's relationship with Israel going forward?

MR. SARAN: Well, no, India-Israel relations are -- actually, I would say, have been a success story in the last 10, 15 years. Quietly, maybe not, perhaps, in the glare of publicity, but a very strong relationship has been built up between the two countries. Quite remarkable, again, given the past history of the relationship between the two countries.

Yes, you are quite right that the kind of changes that are taking places in the region will have an impact on Israel, but by the way, it will also, as I mentioned, have a very major impact on us because we are not clear as to what is the direction in which this change is taking place. We, of course, welcome democratization of Arab societies in our neighborhood. How can we not as a democracy? But, you know, the situation is rather messy. It's not something that is going in a linear fashion.

I mentioned the fact that some of the regimes may have been dictatorial, but there also have been, from our point of view, some more secular in character have held back the influence of some of the fundamentalist elements. Will that change? The answer is not very clear.

So, this is as much a challenge for us as I'm sure it is for Israel. You will notice that Israel has kept very quite about the developments, which are taking place in Syria. Not a country with which it has very friendly relations. But have you heard many comments about what's happening in Syria? No.

So, as I said, we have to be a little careful in terms of the analysis that we make of what the significance of these events are and we sympathize with -- I mean, I sympathize, I wouldn't say we sympathize, but I would certainly sympathize with the kind

of challenge which faces -- confronts Israel today.

MR. POLLACK: Yes, I see a hand, but I can't see the face, but I can see the hand in the back.

SPEAKER: I wanted to ask specifically, what are the internal factors that we, America, need to be sensitive to (inaudible).

MR. POLLACK: Did you hear the question?

MR. SARAN: Something about the MMAC?

MR. POLLACK: He's asking about the aircraft decision and what it implies for --

MR. SARAN: You know, one of the most important and perhaps from our point of view, a very positive aspect of our defense relationship with the United States, or for that matter, the growing defense relationship with Israel, with some of the countries in Europe, has been that it has given us more choice. When you have more choice, then, you know, it's important to see that the choice is exercised in the manner which is most appropriate as far as your requirements are concerned.

Now, I'm not a specialist, I'm not a defense hardware expert, but I have no reason to believe that in the decision which was taken, that, you know, political factors were the dominant factor. I would say that precisely because of the choice that was available, we were -- I think went very much by the professional advice and evaluation of the people who are actually going to be using that hardware. And, as I said, it's important not to sort of look at the entire relationship through the prism of just one contract or, you know, one particular issue. Don't forget that we have been spending quite a lot of money buying, you know, maritime surveillance aircraft, if I'm not mistaken, some transport aircraft. I think there is a fairly large order, which is in the pipeline for C-17 aircraft.

So, there are a lot of other things which are happening in the defense hardware relationship, so there should not be a sense that somehow or the other, internal political factors in India are preventing this relationship from being taken forward.

MR. TALBOTT: Thank you very much. Shyam, I can't tell you what a terrific session this was, and Jonathan, I think we're all grateful to you too for expediting the conversation, not that Shyam needed any help.

Before I ask all of you to thank Shyam for being with us today, I just want to make one observation, since you are in the capital city of what you concede is a very complex polity, even though you claim that yours is even more complex. If that's the only issue that we're now debating, we're in very good shape indeed.

You had a number of points that constituted what I felt was a very constructive, polite, low-key suggestion on how American leadership might continue to evolve. And you're here, actually, in Washington at an interesting moment, in that regard. The headlines are dominated by what is sort of the pluperfect case of unilateralism, if I can put it that way, but there's a lingering and I think more deep-seated debate over what is, in fact, a movement towards more multilateralism and not just a willingness, but a preference on the part of at least the Executive Branch when possible and when appropriate to let others take the lead, and the example of that is a country in -- what are we calling it -- WANA? -- that is the North Africa part of that region that I just learned the term for, and that's Libya, and where the President basically let President Sarkozy, the Arab League, and so forth and so on, set the table and then provided some rather important cutlery for what has happened since, and he is taking a great deal of flack politically about that. He is being lambasted for an anonymous phrase that came out of the White House in a "New Yorker" column called -- the phrase was "leading from

behind", which strikes many people as an oxymoron. So, fortunately, you've got a Arun and Naveen here to follow this debate as it continues, but it does relate to one of the themes in what you had to tell us today, and you gave us terrific insight into your personal perspective, the Indian perspective, and you helped us understand a little bit what is not always so clear to us, and that is, what might be Beijing's perspective.

So, please all join me in thanking Shyam for being with us.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012