

THE BROOKINGS INSTITUTION
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CHINA AND INDIA: TAKING GLOBAL POLITICS LOCAL
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Introduction and Moderator:

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Speakers:

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U.S. Senate
Co-Chair, Senate India Caucus
Former Governor of Virginia

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PROCEEDINGS

ANNOUNCER: SiriusXM POTUS brings you a special event, presented by the Brookings Institution: China and India: Taking Global Politics Local.

What we have been seeking from China is for it to investigate our concerns, and to start a dialogue with us on cyber issues

I welcome the progress India is making to reduce its purchases of oil from Iran.

I've heard the U.S.-China relationship described as everything from the next Cold War, to the "New G-2."

Regional tensions and conflicts in the Asia-Pacific continue to have the potential to erupt into a larger scale conflict.

Competition is good for both of us, as long as the game is fair.

The President considers this a very top priority.

Please welcome former Governor of Utah, and U.S. Ambassador to China, John Huntsman, and Virginia Senator, Mark Warner, co-chair of the Senate India Caucus.

To moderate this exclusive event, here's Brookings senior fellow, William Antholis.

MR. ANTHOLIS: Hello, this is Bill Antholis from the Brookings Institution, a nonpartisan non-profit public policy organization based here in Washington, D.C. Our mission is to conduct high quality, independent research and, based on that research, to provide innovative, practical policy recommendations.

Today Brookings is delighted to co-host this discussion on SiriusXM's nonpartisan POTUS channel, with Senator Mark Warner from Virginia, former Governor and my Senator and former Governor, and John Huntsman, former Governor of Utah, former Ambassador to China, and a distinguished fellow at the Brookings Institution. John is also host of No Labels Radio, a weekly program here on SiriusXM's POTUS channel.

So, a big welcome, and thanks to them for coming by.

(Applause)

Our topic today is India and China -- how national leaders, such as our two guests here today, should think about politics with these countries at the global, national, and local levels. As we've recently learned in Washington -- or maybe re-learned -- Federal government can be a powerful tool, but also a place of gridlock in a big, complicated, continental federal union that we have.

And as we think about China and India, they're facing similar challenges, as well. So, to unlock those, we've asked Governor

Huntsman and Senator Warner to talk a little bit about their experiences, both as governors and as senators, and as an ambassador to these countries.

And they're both heroes of mine, and they feature prominently in a book I've just published, called *Inside Out, India and China*, how we look at these new players on the global stage. Our two guests have insight and knowledge about both innovation at the local level in these places, and the challenges that that poses.

Why is that critical? Two-and-a-half billion people live in these two countries -- that's one out of three humans on the planet. To get to that number, either in India or China, you have to take the United States population, add Mexico and Brazil and the rest of North and South America, and then also add the 500 million people living in the European Union -- that all adds up to 1.3 billion people who live in China, or the 1.2 billion that live in India. So, working with these countries is going to be a key to tackling big global challenges, whether it's the global economy and trade, finance, energy security, or climate change.

Yet the solutions are no longer found in Beijing and New Delhi, since they often face the same kind of gridlock that we find here in Washington.

To read an excerpt from my book, you can go to the Brookings.edu/newplayers.

With that, I want to turn to Governor Huntsman and ask about his experiences with China. He served as ambassador there from 2009 to 2011. He still follows developments there, such as the major meeting that is just ending today in Beijing.

Governor Huntsman, you recently said the most important story in the next century will be the rise of China and how we react to it. What are the big challenges you see right there, and the reforms that they're facing?

MR. HUNTSMAN: Well, thank you, Bill. It's a pleasure to be with you, and it's also a great pleasure to be with Senator Mark Warner, my former colleague, then Governor Warner -- and, I must say, one of the finest public servants I've ever had a chance to work with.

It's such an interesting topic, Bill -- and your book is terrific, and thank you for doing it. And I hope word gets around about the importance of local collaboration. Because at the end of the day, you know, when you have a shifting world order, as we are experiencing early in the 21st century, with the rise of China, the United States being the premier super-power in the world, still being 23 percent of the world's GDP -- when you have a rising power like China, it kind of shakes up the way

things have looked and felt the last many, many years. And that really does result in a sense of uncertainty among, particularly, the American people.

So, how to ameliorate that really becomes the question. And, at the same time, how do you provide for more opportunity through enhanced mutual understanding for people on both sides of the Pacific? You know, that's a large aspirational objective, but I think it's worthy of our pursuit.

Well, it's not going to be done, necessarily, between Washington and Beijing or, in the case of India, and Delhi. It really is going to be done among our governors, among our mayors, among our provincial leaders, even among our educational leaders, where they can begin to get together, identify common challenges and opportunities, and seize them -- and learn from one another.

I used to use an old Chinese aphorism when I was ambassador in China. It went something like this: (Speaking in Chinese), which basically means: You study together, you work together, you progress together -- you know, it makes the world a better place.

We don't do enough of that in the case of China, probably because the opportunities really aren't there. We don't have local leaders who really have thought through how you seize these opportunities

enough to really kind of go after them. But it's out there, and I think we'll have plenty of opportunities in the years ahead, in the areas of economics, in education, in health care, in the environment.

What I found as governor -- because I went to China and India both, and just lived in Southeast Asia this last summer and spent a lot of time in India, as I did in China just a few months ago -- and I'll tell you, the action is occurring at the local levels -- at the provincial levels in China, at the state levels in India. They're looking for fixes and solutions, just like our governors and mayors are looking for.

And what I found as governor, getting over to both these countries, is that our conversations would quickly go from, you know, the nice, you know, friendly exchanges at the beginning of the conversation, to very quickly drilling down to issues that we both had in common: how you educate the next generation, how you find solutions on affordable, deliverable health care, how you deal with, you know, breathable air and walkable communities -- and how you make the economy work. In every case it was always the same. And you walk out of those meetings thinking, "We really ought to have deeper collaboration." The world would be a better place if we could figure out how to do it. The challenge will be, you know, creating a template that actually makes that happen.

MR. ANTHOLIS: Senator Warner, you've had similar experiences in India. Tell us a little bit about how you got interested in India, and your engagement there, and if you see the same sorts of opportunities on the ground there.

MR. WARNER: Well, let me echo what my friend John Huntsman said. First of all, compliments, Bill, to you and your very fine work, and the fact that to try to help, particularly, Americans understand that these enormous countries are so diverse, and have such different economic strengths based upon their regions, very -- and I take the case of India, where certain states in India are roaring ahead. Other parts of India, particularly in the north, are extraordinarily challenged.

And this is an area that I focused on originally because my brother-in-law has lived in South Asia for most all of his life. Then, like John Huntsman -- let me just quickly add, as well, pay back the compliment that he gave to me. I think some of the great work that he's doing with No Labels -- when we look at issues around budget and debts and deficits, and some of the macro issues that our country faces, I think John and I could sit down and, along with a vast majority of Americans, and actually get to a solution set a lot quicker than some of my colleagues that I work with on a daily basis.

But I've been interested in India since I went -- again, as governor, I went to both India and China. I recall, here in the greater Washington area, being the only non-Indian that was part of the Indian High Tech CEO Council. My background was in -- I guess I was the token at that point, but as the tech community across America emerged. And then in the Senate now, chairing the U.S. Senate India Caucus, which is actually the largest bilateral caucus in the Congress, both on the Senate side and on the House side, the caucus is the largest. And our goal was to say how can we take this relationship between India and the United States, which over the last 25 years has been perhaps one of the most traumatic transitions of any bilateral relationship America's had, where India and America viewed each other with somewhat suspicion, I think, in the late '80s, and as India went through the beginning of its economic reforms in the early '90s, as we moved into both President Clinton, then President Bush, and the relationship had changed from wariness to kind of this burst of friendship, and now has hit a patch where this relationship continues to develop, but this friendship is moving into a more mature partnership with certain rubs around the edges.

And I recall again my most recent visit to India, where even as chair of the U.S. India Caucus, trying to forge partnership at the Delhi level around skill developments -- we were trying to bring a series of

community colleges from Virginia, from California, from elsewhere to partner. And even though we had support of the federal government in India of the ability to partner on skill development, basically not a lot happened.

And so, echoing what John has said, I think when you get to the state level, and when you get to the provincial level in China, where governor-to-governor, mayor-to-mayor there is the ability to make those kind of connections. I think, for the most part, American policy-makers are just beginning to understand, at least from the India level -- I don't have near the knowledge that John has of China -- but at the India level, people still think all roads lead to Delhi. Increasingly, I think that perception is starting to change.

Let's again go to education. You know, we've been awaiting for years for there to be a higher education reform passed at the Delhi level. I think the smarter American educational institutions are realizing they shouldn't have to wait for Delhi to pass that change. You can go state to state to have those kind of educational connections that I think -- again, echoing what John has said -- we need more of.

We see a lot of Indians studying here in America. We see very few Americans studying in India. And that would be one of those areas where we could grow that relationship.

MR. ANTHOLIS: Governor Huntsman, you were talking about things happening at the local level in China. Give us a little flavor for some of those places.

I mean, one thing that I was really struck by in doing the work on my book is that there are really four provinces that produce a huge amount of the wealth and a lot of the trade that is coming into the United States. I think 80 percent of the trade comes from Guangdong and Shanghai and the two provinces that are next to it.

What do you see there? And then what do you see in other parts of the country, and other provinces, around innovation challenges? What is your mental map of China?

MR. HUNTSMAN: Well, the first thing that strikes you -- I mean, having lived over in the region four times, you know, beginning in the late '70s in the case of Taiwan, and in India, my first visit in the '80s on a joint venture -- the first thing to strike you in China is how incredibly diverse it is. We don't think of China as a diverse country, but, indeed, there are more than 50 individual minority groups that live throughout the country. Each province -- and I think I've been to almost all of them -- are uniquely diverse in their makeup, history, geography, outlook, temperament, view of the central government, and views of, you know, hierarchy of issues that they want to tackle.

And it goes from those four provincial, coastal, east-coast provinces, you know, mostly around, you know, the Shanghai area, and Zhejiang and Fujian and Guangdong primarily, where you have high standards of living, you've had economic transformation, infrastructure development -- unprecedented in human history, quite frankly.

And then you go inland a little bit, you know, to begin to journey through, you know, over some of their over 20 provinces and special municipalities, and you find that, still, over 700 million Chinese live outside of the major coastal areas, where opportunities are challenging for them. You're going from a country of 800 million farmers to 200 million farmers -- 600 million redundant farmers. You have an itinerant workforce of probably 250 million people roaming the inland regions for opportunities in the coastal areas -- which, of course, is politically destabilizing if you can't provide enough jobs for it.

But you find in each region of the country there is a solid commitment to bringing up the next generation in ways that improves their quality of life -- same thing we're trying to do here: making education matter, providing jobs that will cover the booming population base, and engaging in trade, not only between the various provinces, but also reaching out to foreign partners for investment and trade opportunities.

So there are enormously powerful opportunities, I think, for states and cities here in the United States to engage not just with the Tianjin, Beijing, Shanghai, Guangzhous of the world but, indeed, to look inland. I mean, few people have taken the journey, for example, to the end of the Yangtze River to the city of Chongqing. You know, they've heard about the recent political drama, you know, that played out there with the Party Secretary, but if you stopped to think or ponder that it happens to be the largest city in the world, with about 40 million people -- not too far away far away from Chengdu, which is part of Sichuan, a province in which you have a population larger than the entire country of France -- and I also serve on the board of Ford Motor Company, which is a major investor, not in the eastern provinces, but way inland, for all kinds of interesting reasons. And there are many, many opportunities that have been unlocked in the inland regions, and even the far western regions of the country.

MR. ANTHOLIS: And how well do you think the central leaders are grasping that, particularly as they're looking at a new wave of reforms? Do you think they've got their hands around the diversity and the opportunities and challenges? Or do you think that they're still racing to play catch-up with this crazy, enormous quilt-work of different economies and societies?

MR. HUNTSMAN: Well, stop to think about 1.3 billion people. Stop to think about this broad geographic swath of diversity. Stop to think about a nation state surrounded by, not the Atlantic and Pacific Oceans, and Canada to the north, as we have, but, rather, 15 individual nation states, some of whom have been rather hostile in recent years, some of whom you've gone to war with -- like India, Vietnam, and the old Soviet Union. It's a challenge, to be sure, in moving this country forward.

And it's been very interesting, with all the talk about the recent reforms around the Third Plenum of the 18th Party Congress, which just ended, our time, last night, you know, people have said -- I've read a lot of the commentary -- it's, oh, the package is going to be underwhelming, and -- well, I have no idea where these people are coming from. You know, it's always relatively underwhelming when you look at it from a Western standpoint, because moving the country of China forward is truly challenging, with a lot of new special interest groups. Moving from a country that under Deng Xiaoping had a very sort of ideological mind-set that has since moved to more of a economic development mind-set.

But I think what we saw roll out at the Third Plenum, just in the last 24 hours, really is going to bring about some significant reforms in the area of finance, fiscal issues, independence of the People's Bank of

China, probably the movement of labor -- labor mobility -- and, in some cases, the center-periphery relationships around how you account for debt and financial instruments that are used going forward. There's a whole lot to it. It's very, very exciting.

MR. ANTHOLIS: I'm Bill Antholis from the Brookings Institution, a nonpartisan, non-profit, public policy organization based in Washington, D.C. You're listening to a discussion on SiriusXM's nonpartisan POTUS channel, with Senator Mark Warner from Virginia, and John Huntsman, former Governor of Utah.

Senator Warner, we were just talking about the new leadership in China. Early in the next years there will be a national election in India -- national election in India of 1.2 billion people is so hard that it takes place over a month-and-a-half, I think, with rolling elections in different parts of the country, so that they can actually take the election apparatus from place to place.

When you look there, what are you looking for? What are you looking at? Particularly, are there regional leaders that are rising that you're paying attention to in that space?

MR. WARNER: Well, let's first of all again, I want to make some of the same comments about India that were made about China, in terms of enormous diversity. My last trip over I was in Calcutta and

realized, which I didn't know before, Bengali, I believe, is the sixth most spoken language in the world -- which is just a subset language of part of India. Obviously, there are large swaths of India where there is not an open revolt, the power of the central government is under at least some stress. There are still enormous challenges in India.

And, again, this diversity of economic progress, where you see (inaudible) and Gujarat, obviously -- Maharashtra, I mean, and Gujarat, I think, enormous progress. When you see more closer to the north, some real challenges, you see areas where, like Bengal, making a switch from a long-time communist regime to a more of a populist regime.

I think in India we've seen this enormous leap forward based around technology hubs. Most of the emergence of the close to now 300 million, quote-unquote, "middle class Indians" are around those urban centers.

Where I think there may be some difference, as we get into kind of the federal elections -- and, obviously, First Minister Modi is an example of someone who has made some dramatic economic gains in Gujarat, but continues to have challenges in terms of his previous actions -- which I won't weigh into today.

But, you know, part of the difference, I think, between China and India is -- we were talking about this off-air -- there are advantages of

having a five-year plan. When we look -- and let me be clear, I'm not advocating that in the United States. You know, democracy is messy. And, you know, as we've seen the rise of regional powers in India take place in this kind of federal mishmash of their electoral politics, I think sometimes Washington is crazy politically, then you only need to look at Delhi to see, perhaps, politics at an even more extraordinary level, where you've got not only kind of the remnants of two major parties, the Congress and the BJP, but this enormous need to put together coalitions that, many times, emphasize the regional disparity, rather than trying to build a concentrated national plan.

And I do believe that remains one of the India's great challenges as they go into their federal elections next year. Will there be a strong enough government that can move India ahead at -- we've seen growth rates in India drop to 5 percent. From an American standpoint, we say that's great. Unfortunately, with the Indian population, 5 percent doesn't fill just the needs of folks coming into the -- of work-age eligible.

So I think there will be challenges coming out of the federal elections. Will there be a strong direction coming -- whether it comes from BJP or Congress? Will there be an ability to move past some of the restrictions that have been put on, for example, the coalition government now?

I think about things like multi-brand retail, which we've been calling for some time. We saw progress at the federal level, yet there are still major American marketers, and foreign marketers, that want to get into the Indian market that have found, at the state level, such restrictions that they're uncertain whether they want to go ahead and enter the market. We saw as recently as Friday some changes in the banking restrictions. Will that play out in a way that will be advantageous to the Indians, as well as advantageous to not only America, but to the West?

We look at the fact that India has some of the largest power outages on record last year, and here we are --

MR. ANTHOLIS: I think 600 million people lost power. Yes.

MR. WARNER: And here we are still, eight years after the nuclear agreement, and not only have we not been able to work through the liability issues vis-a-vis American companies, but I've just read recently, even the Russians were still having problems.

So, there is this -- I think there still remains, because of democracy, because of, well, opportunities emerging at the state level, this need for two levels of bureaucracy in India. There is a lack of clarity that I think is holding back some of the foreign direct investment that is still needed desperately in India.

Although I would make one comment -- I don't want to paint all of this picture there. I still think -- and, again, John would have more knowledge than I on this -- there's been a great deal more Western investment rushing into China versus India. The ability to just still take your money out of China I still think remains a little bit more questionable, whereas if you are willing to kind of hang in through the Indian bureaucracy, get in, the ability to actually get capital out, I think, is still a little bit clearer through the Indian circumstance, although I'd be happy to have rebuttal.

MR. HUNTSMAN: With respect to repatriation of capital out of China, I think it's, more often than not, the practice by U.S. companies in China to reinvest their profits. You know, I used to go around and do these random samplings at various chamber of commerce gatherings in China -- you know, "Raise your hand if you're profitable," I would ask. And 90 percent of the hands would typically go up. And you say, well, why then have we had such a challenge in raising some of the trade issues effectively with a very coordinated business community behind us?

Therein lies your challenge. I mean, a lot of companies are very profitable in the China market. Most are not repatriating capital. You can, if you desire. But many are growing so quickly to meet a burgeoning consumer marketplace that they're reinvesting in manufacturing there.

I mean, gone are the days when you make something in China just to export it to the rest of the world. I think, you know, labor rates are increasing in the southern manufacturing zones at double-digit paces. But you have a rising consumer class, in which most manufacturers, a lot of leading American manufacturers, are now investing and manufacturing for a large consumer population.

MR. ANTHOLIS: I was really struck when I was in China that the Nikes that I buy for \$120 in the U.S. go for \$140 in Shanghai. But if you go to Chengdu, in the middle of the country, you can't find those Nikes because there's nobody there that can afford them. They're selling the \$25 basic models. And that's sort of the diversity that you were talking about, in their economy.

You both raised a scandalous figure in each country. And I don't want to dwell too long on them. I really want to hear your thoughts about people that are getting things done in a positive way -- but, particularly because the excerpt from the book that we have on this essay version, at Brookings.edu/newplayers, starts with the two.

So you, Governor Huntsman, mentioned Bo Xilai, who just came down in this great scandal. He was the head of the biggest city not only in China, but in the world. Senator Warner, you mentioned Narendra Modi, who's the Chief Minister of Gujarat, the most productive state in

India, and, actually, with the exception of Guangdong, out-exported every Chinese province last year.

Tell me a little bit about your thoughts -- not about those particular scandals, but what it said about, what they say about governance, rule of law, and the development of a modern legal system in both countries. These are local leaders who essentially took the law in their own hands, with little consequence. In the case of Narendra Modi it's unclear exactly what happened, but he could become the prime minister of the country, but many people think that he essentially orchestrated riots. In the case of China, this is Bo Xilai, whose wife was convicted of killing a British businessman, and he was just convicted of corruption.

MR. HUNTSMAN: Well, I think in both cases, both with Narendra Modi and Bo Xilai -- or you can use any number of rising stars in China to fill in that Bo Xilai space -- you're rewarded for economic performance.

So if you look at the economic data coming out of Gujarat, it's therefore no surprise that the BJP would embrace Narendra Modi, that Advani would ultimately come around and show a united front effort politically. And, you know, they're off to the races. And, you know, so Modi has political speeches where 200,000 people show up in Delhi, and he's already creating a narrative that he's the people, the populist

candidate, versus a Gandhi, you know, son of Rajiv and Sonia, who represents royalty.

So you already can see, kind of, the fault lines of the Indian -
- the Lok Sabha elections coming up, probably, next May or June.

In the case of China, the one dynamic there that's changing, interestingly, enough: the rewards that were given for provincial job development creation. So, in the old days -- which is to say before last week, you know -- you were rewarded for bringing in investment and creating jobs, and goosing your province or your municipality, you know, at 8, 9, 10 percent. It's interesting to sit down with those same leaders today, as I did just weeks ago, and you'll find that the narrative is changing. They're now rewarding provincial leaders for doing something other than just the traditional economic work, such as, "What are you doing to help the plight of your people?" "What are you doing to enhance the quality of life?" -- to clean up the air, to improve health care? These are all things that now seem to be on the minds of a lot of the local leaders in China.

And as they begin to talk about these areas, well, who happens to lead in cleaning up the air, and in basic sciences, in research, in health care? Well, the United States is pretty good at it.

So, as I see China begin to talk about many of these non-job creation criteria for movement up the political ladder, I'd say here again, there are all kinds of interesting areas for collaboration, where China needs it, where we have it, where we could expand the marketplace and create more jobs here by deepening collaboration in some of these particular areas.

MR. ANTHOLIS: As a governor, Senator Warner -- I know you've talked before about how much fun that job is, and how you can actually get things done, as opposed to really working hard all day and not getting much done as a senator. Not saying that you're not getting anything done, but --

MR. WARNER: I'm shocked at those terms.

MR. ANTHOLIS: But a general plight here in Washington.

Your own thoughts about these local leaders, and are they getting stuff done? Are they innovators, or are they perpetrators?

MR. WARNER: Well, I think there may be a bit of both. You know, I think Minister Modi is an interesting case in terms of, as John said, kind of who can deliver the jobs, versus the notion of a dynasty. And you've kind of got the challenge, I believe, in India, where the government has -- while well intentioned on some of the reforms, whether it's about how they can get aid down to local communities without the enormous

amount of graft, the ability to try to use, you know, electronic payment transfers and other modern techniques -- grandiose plans that we've not seen the full implementation. Again, though I would hope -- and this is where there's some frustration from those of us who count themselves as firm friends of strengthening the U.S.-India relationship -- there are so many places where American expertise can help this transition. And many times, American expertise that may be made up of the Indian-American diaspora that want to help this kind of transition, that's not being able to take place.

Again, I go back to the energy circumstance. The largest blackout in modern history took place in India, yet America is not, America and other nations are not able to provide the kind of technical expertise that India could use right now, and the government could use right now, to shore up their performances as they go into these elections next year.

MR. ANTHOLIS: One thing that I was struck -- and I spent 90 minutes with Narendra Modi, and it didn't take him 15 minutes to talk about the fact that he's delivered 24/7, 365, three-cycle electricity to every village in his state. I was struck that there are other leaders in India that are moving in that direction, but, oftentimes, it meant getting away from the central mandates from New Delhi, and just doing what they were going to do, whether or not the law allowed it. It's a real challenge.

MR. HUNTSMAN: Well, again, as we see his emergence and, you know, we do -- and, again, I do not want to comment because I don't know all of the facts of some of the accusations made against him and, obviously, some of the questions our government will have to grapple with.

MR. ANTHOLIS: The U.S. doesn't -- just for the audience here -- the U.S. doesn't issue Narendra Modi a visa because he has been accused of perpetrating crimes against religious minorities.

MR. WARNER: Right. And, you know, India has managed to maintain, on a relative basis, considering that part of the world, you know, with these occasional outbursts of sectarian violence, relative harmony. And, you know, as someone who would like to see that continue, that is, I think, a question that the Indian people are going to have to address.

I think there is also, as John has talked about, some of the high profile potential abuse cases in China, there is this strain that we saw very alive 9 or 10 months ago across India around reform, around political reform, and then around some of the horrible crimes that -- rape cases, and others -- that took place.

Where does that kind of young, urban reformist movement go in next year's elections? Are they going to go with taking the chance

on some of the very impressive economic results that Modi has produced, yet the potential unrest it could unleash on a sectarian basis? Or will they somehow be able to rejuvenate, clearly, a Congress party that could use some rejuvenation?

MR. ANTHOLIS: So, I'm Bill Antholis from the Brookings Institution. You're listening to a discussion on SiriusXM's nonpartisan POTUS channel, with Senator Mark Warner from Virginia, and John Huntsman, former Governor of Utah and distinguished fellow at the Brookings Institution, and the host of No Labels Radio, a weekly program on SiriusXM.

We're going to go to our audience here -- we're in front of a live studio audience -- with questions for our two guests.

Please tell us who you are, and direct your question to one or the other, or both.

MS. WANG: This is Haiyan Wang, from China-India Institute. I have a question for all of you.

And my question is: What could get into the way of local collaboration? Could governors set aside ideological differences or consideration of geopolitical tension to really focus on issues and solutions on a more pragmatic manner?

MR. WARNER: Let me start with that. I think the vast majority of -- let me start with American governors -- the vast majority of American governors, when we come together in our national governors' meetings, 9 out of 10 governors will take off their Democrat or Republican hats and be governors, and want to talk about their states, want to talk about how they're educating kids, or how they're providing jobs. There's this rivalry, Utah and Virginia, we're always ranked in the top one, two, or three in terms of best-managed states, and we would talk about that, rather than some of the kind more ideological differences.

I think local leaders in India and China have that same kind of "how do you deliver for people"? And I actually believe that kind of connectivity, for the most part, allows us to actually get more business done -- because it's not in our portfolio to deal with the geopolitical issue.

MR. HUNTSMAN: So, I was with some municipal leaders in Atlanta, where I was a week or so ago, and they were talking about how to develop relationships with China, and what is needed in order to be successful. And I said, well, patience is needed. And you must be very specific about what it is you want to do.

I think one thing that could stand in the way of bringing this kind of collaboration to fruition is a sense that progress is not inevitable; that, in fact, we have the clash of cultures -- the American culture, which is

kind of the roll-up-your-sleeves, let's find solutions, let's move it forward to something quantifiable at the end of the day -- meeting officials in China who want to celebrate the relationship, who want to draft an MOU and have a great banquet, and then things just sort of never evolve from there.

We're going to have to figure out how to take this very powerful potential for collaboration and set it off in lovely style, as always is the case in China, with a little bit of the American can-do effort to kind of get it to the finish line. As soon as we see city-to-city collaboration, or state and province collaboration where we're actually grinding away and doing important and interesting things, and finding solutions, that's where you're going to get a lot more of the local people, local elected officials involved.

My fear is that we could very well run into a situation where the feeling is that it isn't worth the effort to begin with, because we never get to the finish line. And that would be unfortunate.

MR. ANTHOLIS: I just want to follow up on a dynamic of that. You know, you've mentioned elected officials. Our officials are elected here. They're not elected there at the local level -- or at least not at the provincial. You know, sometimes at the village level they are, maybe. But at the provincial level, they are not. I like to say they're sort of rotated the way we rotate our base commanders in the United States --

serve for five years in Germany, and suddenly you're in Killeen, Texas, at Fort Hood.

What is that dynamic like? You've got an elected official in the United States thinking about coming home to his or her electorate? You've got this person who, on the one hand, at some level has *carte blanche*. The mountains are high, and the emperor is far away, so they can get done in their province what they want to. On the other hand, they may not be here five years from now, by the time the deal actually plays out.

Does that dynamic play out? Or is it just two people trying to do a deal and do business together?

MR. HUNTSMAN: Well, there's oftentimes a mismatch between our two countries that sometimes is a bit confusing for mayors and governors. So, when a governor or a mayor will go to China, they'll meet with the mayor or the provincial governor without realizing that they're number two in command behind the Party Secretaries.

MR. ANTHOLIS: Right.

MR. HUNTSMAN: And they'll miss the most important person of all. And therefore, they wonder why things don't get done, or why they couldn't punch through the bureaucracy.

So, it really is, you know, governors and mayors, before they actually set sail, they really do need to understand the political dynamics in China, the cycles of Party congresses that bring people in and out, and those who are really in a position to get something done, because each province and each city really has its own power structure. Some are exceedingly powerful -- those who serve, for example, on the 25-member Politburo, or those who might have a seat on the Central Committee. Not all mayors and provincial governors do. But those who run the biggest municipalities do, and they're able to get a whole lot more done than those at lower levels.

MR. WARNER: And I would -- let me take a slightly different tack, vis-a-vis the U.S.-India relationship.

I think, you know --

MR. HUNTSMAN: There's no shortage of local politics in India -- no shortage of local politics in India.

MR. ANTHOLIS: Amen. I'm reporting on it.

MR. WARNER: But I do think there are sometimes, as well, cultural clashes. There are -- you know, a lot of times Americans think they're hearing yes from their Indian counterparts when they may be hearing "maybe," or "we'll talk about it some more."

And, you know, two things on a specific -- two specifics, I think, that could help. One is we're blessed, in America, with an incredibly successful and, I think, increasingly engaged Indian-American diaspora. And how you take advantage of that Indian-American diaspora to help navigate some of these relationships is extremely important. And I think we've -- I heard recently, as well, there are 250,000 Indian-Americans who have returned home to India, but with U.S. passports. You know, that ought to be an asset that America can find a way to use as, in effect, local ambassadors in building this relationship.

The other thing that we need to do more of is we need -- we have many, many Indians who come over, study, work, relatives here in the States. We really have not done nearly as good -- partially because of the lack of American educational institutions -- to kind of break through the Indian bureaucracy to get a foothold in India the way so many American universities have been able to get a foothold in China. But we don't have, at the educational level, or at kind of a young-professional level, I think, enough Americans going, studying, living, working in India. I think the numbers are actually much, much higher in China. And I think that is something that, from the Caucus, and kind of more in a collaborative fashion, I'm talking with a lot of folks across the country on how we can expand those contacts.

MR. ANTHOLIS: I think it's terrific. Question from --

MR. HUNTSMAN: Just picking up on what Mark mentioned, taking it in a slightly different direction -- one of the barriers to entry, so to speak, for local officials is, when you get right down to it, language. It is really tough in China to overcome a language barrier. That country's done a terrific job pulling pretty much everybody together around a common lingua franca -- that being Mandarin, even though there are a lot of regional dialects.

In India, I think one of the greatest challenges to just governing the country is what happens when a head of state makes a speech and is only understood by maybe 250 million of the 1.2 billion people? You know, when you have a couple of hundred million speak English, a couple hundred million speak Bengali, a couple hundred million, Hindi -- so on and so forth.

But with respect to India, for most local officials in America, there is that common lingua franca, which does make things a whole lot easier than dealing in China. And a common reference point, called rule of law, which is also something that makes transacting business a whole lot easier.

MR. ANTHOLIS: I'm going to go to one of our guests in the audience.

QUESTIONER: (Inaudible), I'm a senior fellow at the Hoover Institution -- a question for all the panelists.

In navigating the developing relationship between local government and national government in China and India, do you find that there's any interest in studying the American model -- not, of course, to adopt it, but to learn from what we do well, and to learn from what we do badly?

MR. HUNTSMAN: I'll take a cut at that. So, what would China like to do almost more than anything else, as part of the next 10-year leap, with economic reform, and maybe even some legal reform, as we're hearing in the last 24 hours?

They would like to become an innovative economy. So they look to the United States, and they say, "We would love to have research universities like yours." "We would love to be able to take basic research and translate it into the marketplace, translational research, like some of your top campuses do." "We'd like the predictability and business adjudication standards that you have in the United States." "We'd like to have pockets of innovation like Silicon Valley, and Ann Arbor, Michigan, and Austin, Text." "We'd like all of that, but we're some distance from ever being able to make that happen."

So, where they may see the dysfunction of Washington as something that isn't necessarily enticing with respect to democracy, they look to our innovative culture, entrepreneurship, our ability to assume risk, to roll the dice, and to create new things, as something that is truly enviable.

MR. ANTHOLIS: I've been to Macao, and I know they like to roll the dice.

MR. WARNER: I would say, in India there is a little greater connectivity on the economic side, because India feels it's got its Bangalore, its Hyderabad, its other emerging tech centers. They've got an enormous pride in their IITs, their Indian Institutes of Technology.

I still think, as John has said, there's still some of that link from doing the research to how you translate that into real innovation. And I think our country's been blessed with a lot of those Indian entrepreneurs' coming to American -- one more reason why we need the broad-based immigration reform.

I think there's less -- one of the things I came away with from my last visit, and have been talking with some folks about, I think there is a growing disconnect, though, from India's kind of ability to understand our governmental functions. And, let's face it, it's become a little more opaque and a little harder to understand, even to explain to Americans, as well.

So, you know, as we think about, you know -- I see a lot of the delegations that come over, but they come over for such, you know, brief periods of time, the idea of could there be some longer exchanges of -- whether it is members of the national legislature, or at the municipal level, or at the state level -- to kind of get a better understanding of, you know, for all the warts, our American democracy.

And I think there are lessons that we can, India can learn about the value of even as challenging as our two-party system is, a two-part system still works, I believe, better than this polyglot of parties that ends up making it even more difficult for a national direction to be pursued. Again, that's an area, though, where I think this asset of some of the Indian-Americans who've returned back to India, we could use them if we can't get these kinds of longer visits in place.

But I do think these longer exchanges at the governmental level would be of value.

MR. ANTHOLIS: My own quick answer has two parts -- which I think echoes what both Governor Huntsman and Senator Warner said.

Having recently just been back to China for a nine-day trip, people who their view the United States as the model said, "What the heck

is going on in your country? " "Is this really how democracy is supposed to work?" And this is a two-party system.

MR. WARNER: People in Virginia were saying the same thing.

MR. ANTHOLIS: And if this is supposed to be a two-party -- if that's how a two-party system works, maybe our one-party system is something that looks a little bit better.

Now, I don't share that view. And I think -- I'm hoping it was a passing dysfunction that taught us to move in a corrective direction.

Having spent five months doing the research on the book there, I was struck not just at how curious they were about how our system, but how curious they were about one another's system, and how little they knew. And some real important learnings that I took from it is that, in some ways, China is more decentralized -- Communist, one-party China is more decentralized than federalist, multi-party, democratic India, because the national Indian bureaucracy, the Indian Administrative Service, reaches all the way down to the district level. So, if you took Montgomery County, Maryland, with about a million people in it, the county executive would be called the "district collector" in India, and that person would have been appointed by New Delhi. Now, Montgomery County sits right next to Washington, but if Montgomery County was in

Northern California where the Hoover Institution is, and that person was appointed from Washington, D.C., you can just imagine how well that would go over.

And, actually, in China, that person, at some level, is not appointed by Beijing, it's appointed by the next person up the tier. And then the next person up the tier appoints that person. So it's a waterfall system that gives a lot more local autonomy -- not on paper, but in practice -- at the local level.

MR. ANTHOLIS: Do you want to talk on that?

MR. HUNTSMAN: Well, you're onto local leadership, and I just have to at least throw this thought in, because it's a very interesting differentiating point between our system and that of China.

We forget that the Party has a huge field, they have a huge bench. It's 80 million members strong, in 3,500 outposts around the country. And at any one given time, you've got hundreds of thousands of local leaders who are all competing to climb up the ladder. So, by the time you get people at the Standing Committee of the Politburo -- although there's a lot of horse-trading that goes on for those, today, seven slots, or the Politburo, 25 slots, or the Central Committee, 370 slots -- you've had hundreds of thousands of finalists, in a sense, who have already provide

that they've got what it takes at the municipal levels and at the provincial levels, to actually manage and lead stuff.

And so they're coming from a much different leadership/mentoring/human skill development system than we have here, or than I think India has.

MR. ANTHOLIS: So, I want to thank both of our wonderful guests today, Governor Huntsman and Senator Warner. As I said, they're both heroes in my new book, *Inside Out: India and China*, which you can find on the Brookings website at Brookings.edu/newplayers.

I want to thank SiriusXM, which has been a great co-host of this event. And I want to thank our live studio audience, who's brought with us a lot of energy and some great questions. Thank you very much, everyone. (Applause)

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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.

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