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P R O C E E D I N G S

MR. JONES: Ready to go? Looks like it. Thank you all for coming. This is going to be a great event. We're here to discuss the upcoming BRICS Summit. If any of you want to follow the discussion on Twitter, it's going to be #BRICS2014.

We all know that these big global summits can be pure talk shops, stamp squibs, but they can also produce important political decisions, and they're often also an important political signal about the nature of the relationships between the countries in question. And they signal in a sense, the direction that some of these countries are taking in broader international relations.

BRICS Summits themselves have attracted a lot of debates since they've started about whether they are a meaningful mechanism, whether this is a block in some sense of that term designed to counter American influence or western influence, or whether the strategic divides within the BRICS are so deep that this is purely an economic mechanism, or what the meaning of the BRICS mechanism and summit is.

The question that we'll try to get into: Is there any mortar in the BRICS? Is this a meaningful entity? We've got a terrific panel to address it, a kind of all star panel. And I'll introduce them all now, and then we'll do the discuss on stage, and then turn to the audience.

We're going to start with Ken Lieberthal, who is a senior fellow in foreign policy and global economy and development at Brookings. It's sort of stunning when I read your bio, that you've written more than 24 books, mostly on China. That's sort of appalling (Laughter), but deeply, deeply knowledgeable about China, and was from '88 to 2000, the special assistant to the president and senior director for Asia on the National Security Council.

Fiona Hill is the director of the Center on U.S. and Europe, and a senior

fellow in the foreign policy program here. From 2006 until 2009, she was the national intelligence officer for Russia and Eurasia at the National Intelligence Council, and before that, was the director of strategic planning for the Eurasia Group. And most recently, and rather famously, actually, now, is the author of -- the co-author of the book, "Mr. Putin Operative in the Kremlin."

Harold Trinkunas is the Charles Robinson chair and senior fellow and director of the Latin American initiative here at the foreign policy. He focuses his research on Latin American issues broadly, but also, particularly on Brazil's emergence as a major power, and just wrote a piece which is on our web site called "Brazil's Rise." So, if you want to get a deeper insight into the dynamics of Brazilian foreign policy as an emerging power, you can take a look at that. And he previously served as chair of the Department of National Security Affairs at the Naval Post Graduate school in Monterey.

Tanvi Madan is the director of the Brookings India Project here, and also does a lot of research on India-U.S. relations, but is also writing a book on India-China relations, a particularly timely book it seems to me, and recently wrote a piece about the foreign policy of newly elected Prime Minister Modi called "The Known Unknowns." I like that title, and we'll come back to your perspectives on Modi.

And then, Thomas Wright is a fellow at the Brookings at the Project on International Order and Strategy here with me, and was the executive director of the Chicago Council on Global Affairs and is writing a book on geopolitics in an age of interdependence. And we'll talk to Tom about what all of this means in broader geopolitical germs.

So Ken, let me start with you. China obviously looms large over any discussion of the BRICS. China is also larger than the rest of the BRICS combined. So, why does China care about this relationship with these much smaller emerging powers

and this mechanism, this club of emerging powers?

MR. LIEBERTHAL: I think first of all, China has no illusions as to whether this will be a solid, disciplined block that will have its own policies and oppose the existing global framework and finance economics geo-strategically. Rather, I think it sees this block the way it sees a number of other initiatives it's been taking in the last couple of years as building greater influence for the non G7 countries over time, largely within a world that continues to have a predominance of influence among the major developed countries.

So, for example, all five of the BRICS members who are convening are also members of the G20. This kind of relationship building, more intense consultation, you know, develop -- if you will, developing their talking points for the G20 ahead of G20 meetings is something that they hope to make more effective over time. It doesn't replace the G20 or become another G20; it's to have more influence in that kind of larger body.

I do think they are taking some specific initiatives that fit with what they're doing in Asia and elsewhere. They're trying to, for example, this is likely to announce the adoption of a BRICS bank, which will focus primarily on infrastructure loans. My understanding is it's very likely to be headquartered in Shanghai. China is increasing its influence in Asia and elsewhere by increasingly taking the lead on infrastructure projects and setting up not total alternatives to, but additional options for countries that otherwise would rely more on the World Bank or the Asian Development Bank.

They are also going to be promoting a currently fund, a swap fund that arguably will be a fallback from the IMF. And so, in a variety of ways, increasing the capacity for the big emerging markets to do things that aren't as fully dependent on the U.S. and Japan and Europe for structuring their options, not to bring down the current

system, but to in their terms, democratize it more.

MR. JONES: Great. So Fiona, does Russia share that perspective? Russia always seems to me as a bit of an outlier in this group in sort of the nature of its economy and geopolitical relations. But at the same time, this is potentially a significant summit for Mr. Putin, given that he's been cast out of the G7, the west is trying to ostracize him. So, what's in his mind as he's heading to the (Inaudible)?

MS. HILL: Well, I'm glad you actually used the word outlier, because in fact, that's exactly what Putin and Russia are trying to prove that they are not; they are not an outlier in this group. We all seem to have forgotten how the whole BRICS concept came into being. It was given to us by Jim O'Neill of Goldman Sachs, I mean, almost a decade ago now. I mean, certainly in the run up to the whole period before the global financial crisis and then the Eurozone crisis.

And what it was intended to capture were the countries that are experiencing this really rapid, very impressive economic growth, GDP growth -- almost as impressive as Ken's 24 books, which the rest of us (Laughter) are desperately trying to catch up on now. And it was really China, you know, who was really at the forefront of all of this.

But Russia, in that period from 2000 to 2008 when this concept was first being generated, was really experiencing an unprecedented period of growth. And actually, if you look at it on the various indices, it was as impressive as China's, and very much Russia's growth was tied to China's growing need for natural resources, for oil and gas, and Russia was finding itself propelled in the same kinds of direction.

So, instead of being an old, decaying, industrial power, it was you know, that's was you know, heading towards oblivion in the same way as most of its European neighbors, Russia suddenly found itself in this great group of the emerging powers, and

it's really tried to capitalize on this whole concept, and moving it from this focus on GDP and economic growth, which of course, isn't quite so impressive now for Russia and quite a number of the other countries, and put it more onto a political footing.

And as you've rightly pointed out, this is a great substitute for what we've all been, you know, deciding for a long time, was the much more moribund institution of the G8, now, of course, the G7, as the decision is being made to kick Russia out again.

Russia also latched onto the concept of the G20, which has been fading somewhat since the economic crisis, but played a great role in trying to think about the early stabilization after the global financial crisis, when Russia was very much in the forefront of all of this. So, this is a mixture for Putin and Russia of great political theatre to show international projection.

I don't think they're really expecting a lot of concrete things to come out of this, but the visibility is perfect. It's also got this -- the timing of the BRICS Summit, of course, is being tied to the other great theatre that's going on of the soccer World Cup. And of course, not so great for Brazil right now (Laughter), and I don't want to get into that.

But nonetheless, one of the reasons that Putin is going to Brazil is not just for the BRICS Summit, but it's also to take over the mantle of the World Cup for 2018. And he's combining this trip for the Summit, so he has this high maximum visibility with a number of other trips around you know, what used to be the old stomping ground of the Soviet Union. He's going to Cuba.

I mean, this was obviously one of the great anchors of Soviet international affairs in the western hemisphere where Russia looks a bit weak these days. He's going to Argentina. You know, in the past several years, the only real viable relationships for Russia in the western hemisphere in the Americas has been Mr. Chavez

in Venezuela, and with his passing, you know, it's a little bit more complicated to try to figure out where Russia goes next. But there's a trip planned, also, to Argentina.

But basking in the glory of the BRICS, of Brazil's success, perhaps not in the soccer field, but certainly more globally in the economy, this is a great opportunity. And also, frankly, to be seen with China. Because as we've moved into this whole discussion -- well, we've passed that now with the idea of a G2, the United States and China -- if the United States is looking, you know, less -- let's just say successful than it has in the past, China remains still kind of the lodestone of success.

Russia has been -- you know, and I'm sure we'll talk about this later on the panel, very eager to cement a whole host of deals with China, and most recently, the big gas deal that has gained a lot of attention. Russia has been at the forefront of getting into other groupings with China. There's the Shanghai Cooperation Organization that Russia and China set up with the Central Asian powers.

Russia hosted the APEC, the Asia-Pacific Economic Forum back in 2012. I mean, again, trying to capitalize on the relationship with China. So, there's many different things in operation here. So, Putin actually, and Russia, see this as a very important event, even though we might not see it in exactly the same way.

MR. JONES: I'm going to come back to the Russia China gas thing in another round, but I want to -- building on your comments about Brazilian soccer turn to Harold. I wasn't going to ask you about it (Laughter), but since it's being raised --

MS. HILL: Sorry.

MR. JONES: Brazil is the host. Obviously, the host country in these summits has a lot stake in their success, especially after the 7-1 defeat. Rousseff's running for re-election. She kind of designed this architect of the World Cup and the BRICS Summit to be sort of platforms. But that's the kind of politics for Rousseff. But

what's going on for Brazil in sort of foreign policy terms? Why does Brazil put the kind of attention that it does on the BRICS?

MR. TRINKUNAS: Well, I think that Brazil really sees this as an opportunity to focus as the host on showcasing some of these achievements in the economic area, the development area. One of the themes of this BRICS Summit is sustainable development, and this obviously links up with this idea of a new development bank, which will probably be announced during this BRICS Summit.

But in the larger sense, Brazil sees BRICS as an opportunity; an opportunity to work with other rising powers, to make room for its interests in the present international order. And it really sees this as a space it can create, a great brand, but also, space for alternatives to the existing western international order, and particularly through the mechanism such as the new development bank, such as the contingent reserve arrangement on currency, to escape or evade or create alternatives to some of the mechanisms by which western powers have traditionally exercised leverage and influence over other powers in the world.

And so, Brazil wants the BRICS and the BRICS Summit process to really start consolidating some of these gains and putting them into concrete institutions. So really, for Brazil, the BRICS are seen much more as an opportunity, and one that doesn't yet have too many costs associated with it.

MR. JONES: I'm going to come back on the next round about costs, but it is worth -- it is striking to remember that all of the BRICS member have at one point or another been under sanctions or an embargo by the west. And I think western commentators on the BRICS forget that; that in the very recent -- in very recent history, that's all sort of a live memory for them.

Tanvi, in your piece about Modi, you wrote that there is a strategic Modi

will be focused on trying to push back against Chinese expansionism, and an economic Modi who is open for business. Which Modi is going to be in (Inaudible)?

MS. MADAN: More of the latter. But likelihood at it in the -- the strategic part will be also building relationships with the other countries involved. Part of, for example, India's relationship with China is to kind of balance out the relationship with China -- sorry, with Russia with China, and similarly with the U.S. And we'll talk about that, I know, more in detail later.

I'd say, you know, this is the first time you're really going to see Modi on a multi-lateral stage. This is kind of his first foray out onto a multi platform. So, we've got a lot to -- that we're going to see how he behaves and acts on, including particularly is there going to be more continue to your change on India's and his perspective on key issues, like climate change, perhaps (Inaudible) governance, the Middle East, perhaps, but also, key principles?

Is India going to join a statement on sovereignty or on the U.S. actions in the Middle East or lack of them, et cetera? Are they going to come out, or just avoid making statements on some issues that might be tough for them with some of their other partners outside BRICS?

We're also going to see him interact for the first time as prime minister with Cheedan Bing and with Vladimir Putin, and I'm sure those photographs will get some attention in both the Indian press and abroad, as well. And overall for India, BRICS has - - I mean, the foreign secretary in her briefing a few days ago when asked with the utility was, she said the primary -- the significance was symbolic. These countries are coming together.

India doesn't see BRICS and perhaps, the banks in other institutions and rules that come out of it as replacements for the existing institutions and norms. They do

see it as giving India an additional voice, a way to play a supplement role to the existing institutions, which India does not feel are representative. I also feel that for example, the U.S. and other countries in the west basically function in those institutions at terms that they have set.

So for India, this gives them greater voice, a greater weight. It's a way to also signal that India wants reforms of a number of institutions. It's also a different voice. As Harold said, there are some kind of issues, sanctions, sovereignty, and non-intervention -- some of these issues that India actually has more agreement with some of these countries than it does with countries in the west. India also, I think, sees BRICS as a platform, and especially in terms of the non summit activities, to essentially develop a network with various parts of various civil societies, other groups within these countries.

And I'd say finally, what it does is it actually helps India to do what it's also strived to do, which is to have a diversified set of partnerships. And it also, to a certain extent, insulates Indian governments from accusations domestically that they're moving too closely to the U.S. So, this is basically a way of expanding their options, and I suspect Modi will continue to do that; has said that he wants a diversified set of options in terms of partnerships, but also, a participation in institutions.

MR. JONES: Non-alignment, 3.0, something like that (Laughter).

MS. MADAN: I don't use the word non-alignment for many reasons.
Diversification.

MR. JONES: Diversification.

MS. MADAN: I'll stick to that (Laughter).

MR. JONES: Tom, I mean, you've been involved in this debate, and listening to the others speaking about this, how do you see this from a strategic perspective? Does this look to you like a strategic grouping? Does it look to you like

there's a divide -- strategic divide, so then they're more important than that? How do you see it from your perspective?

MR. WRIGHT: And thanks. I think that partly because, as Fiona said, the BRICS was a construction of an investment bank and it was largely economics focused in the foreign policy field for the last 10 years, it's been pretty common for people, including myself to criticize the BRICS and to say it's not all that it's built up to be.

And we've had a ton of jokes that go along with that, I would think from the BRICS have no mortar to all of those things that sort of belittle at the arrangement. But I actually think that this summit is important, and that we probably need to rethink it a little bit for reasons that my fellow panelists have sort of said. And my starting point will be that the real sort of missing issue at this summit is Crimea and Ukraine.

I mean, this summit is taking place. Russia has not been excluded. They weren't expelled from the BRICS as they were from the G8. So clearly, the other members of the BRICS aren't concerned enough by Crimea and Ukraine, and that they would make that sort of a key factor in who they invite to the summit. But even beyond that, Crimea and Ukraine is not on the agenda at the summit. It's really unlikely to come up in the bilateral discussions.

The other leaders of the BRICS are not saying that this is an opportunity to express their concern to Putin. Quite the opposite. And so, when President Obama says that the United States has succeeded in isolating Russia in the international community, the fact that this BRICS Summit is taking place and the agenda for the summit is really evidence to the contrary; that Russia may be isolated from the west, but it has not been isolated from much of the rest of the world, and that it is involved in deep sort of discussions and meetings with these other nations.

And why is that? I mean, I think it is sort of peculiar on the face of it,

particularly for the democracies in the group; for India, Brazil, and South Africa, because what Russia did was an egregious violation of international law, and it was something that was roundly condemned at the United Nations, albeit not by the BRIC nations.

So, I think that this is a turning point and it is a Rubicon of sorts. I think it does undermine Brazil, India and South Africa's commitment to international law and to the international order. I think that questions will be raised over time about their position on this issue.

But I think the broader reason is one that several panelists have touched on, which is that the BRICS don't want the United States and the west to have a monopoly over who gets to play in the international order or not. They don't want one of their own to be isolated on the frame of Washington or Berlin or London.

They don't want to grow dominated by the west from powers where, you know, Russia can be excluded, and they would like diversification of the global economy, of their diplomatic relations. They want a safety net, that if any of them are essentially fall out with the west, that they have a safety net to fall back on and they don't fall to the ground. And I think that's what we're seeing, and it's not from their perspective, perfect.

I mean, certainly this BRICS development bank or the currency swap agreements or the diplomatic sort of ties, none of these you know, elevate it to the level of a deep alliance or anything like that. But I think it is still significant, and it's a sign of something that they will continue to work toward over the next 5 to 10 years, which is to have a diversification in the international order and not to be as reliant as they have been on western powers.

MR. JONES: Nice. So, coming back to you -- actually, I'm going to pose the same question to Ken and Fiona; to go deeper on this question of balancing this sort of relations, the tensions included with the U.S. relationship. And in the case of China, of

course, at the same time as we're preparing for the BRICS Summit, we have this strategic and economic dialogue in Beijing.

So, maybe just talk a little bit more about how it is that China sees the relationship to the United States in this broader context. And if each of you could also talk a little bit about the Russia-China energy deal, and whether that was a kind of slap in the face of Obama's effort to isolate China, or whether that was purely an economic and energy issue that was happening anyway.

MR. LIEBERTHAL: Well, I think the Chinese have made very clear, both that they recognize the importance of the relationship with the United States and the vast array of global issues where that relationship plays a key role in the tractability of those -- of managing those issues and preventing them from becoming much worse.

But at the same time that China now wants a world that the U.S. plays a somewhat less dominant role in. It wants to have the alternatives here in some danger -- this is a two hour panel, and in the first segment of the panel, we've all expressed violent agreement with each other (Laughter). So, it's a matter of kind of drilling down a little bit more, perhaps.

But fundamentally, you know, the Chinese in Asia and elsewhere have been trying to promote groupings, initiatives and to some degree, institutions that mitigate American dominance of the international finance and economic system, and that gave countries alternatives. You know, reflect, if you will, the real shifting balance of resources in the world, and not to overthrow the existing system, but to -- you know, their term would be democratize it; recognize that this is now a more multi-polar environment.

So for example, I mentioned the currency swap agreement that I think we'll see announced at this BRICS Summit. I think that would have been much more difficult to bring about had the U.S. Congress not failed to reallocate money between

accounts that the U.S. has, where the reallocation was necessary for the deal that had been done at the IMF to increase the voting rights of China and other -- you know, a couple of other of the big emerging markets at the IMF.

And so effectively, the IMF, which has said that it could reform to over time, build in changes in real capability in the world, is blocked from doing so by American political domestic dysfunction. And the Chinese are essentially saying, well, then let's develop some alternatives to this. And so, we can -- you know, we can manage how we face financial crises more effectively without the IMF dictating the outcome, that we are underrepresented in the voting rights at the IMF.

I think we see this in a number of areas, primarily in Asia, but reaching into Central Asia, and now, through the BRICS also reaching well beyond that. I noted that Fiona said that -- noted that Putin is going to Argentina and Cuba. So is Xi Jinping.

MS. HILL: Uh-huh. Are they going together?

MR. LIEBERTHAL: And so I don't (Laughter) -- you know, I hadn't realized that Putin was going (Laughter).

MS. HILL: I hope they don't get a shock when they see each other in the same room (Laughter).

MR. LIEBERTHAL: Well you know, but they are -- you know, they're taking advantage of this to you know, make the rounds.

MS. HILL: Right.

MR. LIEBERTHAL: In America's backyard. And you know, that isn't to drum up opposition to the United States. It's to reaffirm that this is now a bigger set of players out there of consequence.

MR. JONES: Fiona, same questions.

MS. HILL: Yeah, I think that's the important point here. I mean, the

reason that we all on the panel seem to be as -- you know, Ken put it in violent agreement, is because all of the leaderships and the governments of the countries that we're channeling in our respective roles here have the same goals out of all of this.

They all want, you know, as Tanvi put it, diversification of their foreign policy, and expanding their options. And you know, in many respects, for Russia, this is particularly acute at the moment, especially as Tom is saying that Russia is effectively being excommunicated by the west. They're kicked out of the G8, now back to being the G7 as it was before the Soviet Union was you know, first brought in 20 plus years ago.

I mean, for Russia, it's actually an effort not to re-establish itself as an independent player. If you look through the whole history of Russia, very much like China, they had interactions with the west, some of them quite painful, you know, in terms of China being colonized, at least parts of it, territory by western powers.

Russia always interacted with the European powers, but it wasn't of Europe for most of the centuries, and it's now reasserting itself as an independent player and trying to link up with others that it sees by much as independent players in their role in particular regions or hemispheres. So, just as Tanvi described, you know, the BRICS is a kind of safety net. That's really how I think Vladimir Putin is seeing that, as well.

And there's opportunities that are touch based, linking with other players -- this is a really very important opportunity against the backdrop that Tom laid out for us. And I think in that context, it's the way of looking also at the China gas deal. I mean, China will see this as -- you know, Ken can talk to this much more about the very importance of this for China's own domestic energy market and all of the pressures that China has to move away from coal, obviously, given the climate and pollution issues that China is dealing with.

But for Russia, it's been very important also, to have diversification of its

own energy exports away from just the European markets. We talk a lot about here on this stage and many others, about Russia's leverage over Europe. But this -- the fact that the bulk of Russia's energy exports in terms of oil and gas also go to Europe, gives Europe leverage. And Russia is extraordinarily concerned about all of the packages that are going through the European Union right now -- the third energy package on liberalization of energy networks, on third party access to distribution networks that Russia sees actually, as its distribution networks.

It doesn't want to, I mean, basically share oil and gas pipelines with third parties. Russia is also very much cognizant of the fact that most of its energy development is focused in the west of Siberia and all again with the markets to Europe, and it wants to develop its much more under developed eastern parts of this vast territory on the resources in Eastern Siberia. And the only way that it can do that is to develop the markets of the Asia-Pacific region, and primarily China.

And it's been trying to work on this for a good 10 years. This is not something that just kind of came out because of the Crimean crisis. You don't just do an energy deal like this overnight. And in fact, perhaps the Crimea and the crisis with Ukraine and the west gave a spur to a deal that otherwise was becoming quite difficult, that we're getting bogged down in all kinds of questions about volumes and pricing.

But there's an awful lot of infrastructure that has to be developed. So, the whole watch word here I think is diversification. It's diversification of options. It's trying to break the monopoly of Europe and the United States over institutions or basically gas and oil imports, and it's trying to look for a way to find yourself exactly, as Tommy was saying, a safety net if you get excommunicated in essence, by the western United States.

MR. JONES: So then Harold, thinking about the Brazilian perspective,

you emphasized that Brazil doesn't sort of see the cost for trade-offs in participating in these various forums. And when you listen to Brazilian officials, they'll say, you know, we can be in all these different clubs, and there's no contradictions.

A fairly prominent writer on BRICS issues talked the other day about how Brazil pays no reputational costs for this, which seems to be quite wrong, because actually, Brazil does pay a reputational cost, at least in the United States, for doing things like caucusing with the BRICS on Syria and the council -- within the council. So, maybe you can speak to that.

MR. TRINKUNAS: Sure.

MR. JONES: Sort of how does Brazil reconcile what are potentially --

MR. TRINKUNAS: Well, I think Brazil recognizes that -- privately, that there might be some costs, particularly in the relationship with the United States, but the gains from participating in these other venues in terms of the options that it creates and in terms of creating alternatives that reduce the amount of leverage that the United States and the west might have over Brazil, certainly outweigh any kind of reputational concept that might exist.

We also have to be clear that it doesn't really have many reputational costs inside Brazil in electoral terms. I mean, it might have some reputational costs with the Brazilian business community, which does want to have good relationships with the United States, sees the United States as its primary market, as its primary trading partner, source of investment and technology.

And more broadly speaking, within Brazil politics, the kind of ambivalent relationships it has with the United States at this point are not really seen as part of the high costs, especially because in general, the Brazilian public is not particularly concerned with foreign policy. Like many continental countries, the general public is

much more concerned with domestic, economic and political issues.

So, from the Brazilian perspective, also under the present -- the worker's party government, the issue of national sovereignty and non-intervention has become more prominent in their foreign policy than maybe in previous government issues, such as democracy and human rights.

And so, in a sense, it does see room for agreement with the other BRICS countries on the sense of an international system based on strong or hard sovereignty, rather than on the ability for countries to intervene or place contingencies or conditionality on their relationships with each other. So, the kind of relationships it's building with the BRICS countries basically enable to -- again, diversify is a great word -- spread out the risks that it creates by becoming too dependent on a country like such as the United States.

So, this allows it to minimize the risk of what is already quite a strong relationship that it has with the United States in economic terms, trade terms and investment terms.

MR. JONES: Okay. Tom, I'm only going to ask you what the U.S. should think about all this or do about all this. But Tom, let me come to you and go anywhere you want on the U.S. I mean, Modi is going to be here in September. He'll have been in Portalaza. Does he see a contradiction?

But then, I also want to ask you on the India-China front, so how is this viewed in the Indian domestic context to be in a club which is -- which you know, China is by far and away the largest actor. How does that play off?

MS. MADAN: I think first, neither Modi nor the people around him who have been policy makers before he became prime minister see the BRICS and the U.S. - the relationships as mutually exclusive, or for that matter, the relationship with the U.S.

and the individual bilateral relationships with each of the countries. They do realize that this does bring up contradictions, sometimes.

Ukraine is a good example. There were clashing partnerships and principles at stake for India. Frankly, they would have preferred to just keep quiet about it and say nothing. They were pushed to make a statement. They stumbled over it. Eventually, when Mnemosyne spoke to Vladimir Putin, he -- and the read out basically showed the contradiction, which is yes, we're not going to come out and criticize you or say that we're going to isolate you, but also, express India's view that it taught about sovereignty in a very different way, and did not agree with the Russian integration of the issue on that.

Until you see, and you'll see Modi having to balance these things out as well. I mean, there was little doubt that the U.S. -- the relationship with U.S. for India is one of the most significant. It is deeper and broader than any of these other relationships at stake. But there are also differences and points of view on particular issues. I mean, democratization, democracies, the idea of how you actually promote democracy is one.

I mean, you will see -- Modi himself invited over for his swearing in ceremony, all the leaders of the South Asian countries. He made it a point to only invite the leaders, and it just so happens is the one moment in history where there was not one general that was a leader. They were all democratically elected.

They did not invite the Burmese, because they weren't a democracy at that point. They didn't want to have a general there. And so, you do see that that idea -- and India thinks the democracies in the long term are more stable. Having said that, they do not agree with the U.S. view of democracy promotion, particularly the way it was followed in the Bush administration, a president incidentally, that India actually liked very much.

Having said that, you do see as well -- and this comes to kind of the question of China, and even while they're -- kind of -- some of these contradictions with the U.S. -- India's relationship with the U.S. and the BRICS, they are even perhaps more contradiction in terms of within the BRICS. And you see this particularly in the relationship with China.

I mean, forget the fact that India and not just China, but a number of these countries are not on the same page in a number of issues, including climate change, cyber governance, the WTO, the UN Security Council, which India believes that the certainly that's been blocking it the most has been China.

But overall, India doesn't want to -- I mean, if BRICS has been formed in India's participation is partly out of concern of domination of the -- the U.S. domination of a number of international institutions. The last thing, it wants us to promote a grouping that replaces U.S. dominance with Chinese dominancy, particularly basically India, if you think about serious bilateral issues, it has some key ones with China; not just the border issue, but China's relationship with Pakistan, for example.

And you see some of these concerns play out in how India has reacted to the BRICS development bank and the concerns that India has expressed, both officials and in the press -- and this has dominated coverage of the BRICS to the extent that BRICS has been covered at all -- the concern about the location, the contributions in terms of equal or you know, Chinese -- dominated by China, but also, the presidency.

And you've seen push back against this becoming essentially a Chinese dominated institution. If there is a sense in the future that this is a grouping that's become more and more dominated by China, you will see perhaps, India kind of downgraded in terms of various institutions.

But short of that, you are going to see continued participation, and that's

not going to necessarily mean that India is going to -- this is in any way going to -- at least from the Indian perspective, affect its relationship with the U.S. I would say it would affect it, if for example, the U.S. said that you need to -- you don't need to do something with the BRICS. When India is pushed into anything, then you're likely to get an answer that you don't want --

MR. JONES: Right.

MS. MADAN: -- from India.

MR. JONES: Okay. So that's a good cue up to you, Tom. So, what should the U.S. reaction be? Should the U.S. be preoccupied by this? Is this just a reality that they have to live with? Should they be trying to create costs for countries participating in the BRICS with the Indians and the Brazilians? What should the U.S. (Inaudible portion) --

(Simultaneous discussion)

MR. WRIGHT: I think in a way, all of the above. I mean, I think it's important that the U.S. --

MR. JONES: Diversified response (Laughter).

MR. WRIGHT: Yeah, diversified response. I think it's important to make a distinction between the different things that the BRICS are doing. So, take the BRICS development bank. My attitude to that would be, you know, knock yourselves out.

Like if they want to create a bank that's an alternative sort of lending facility, then -- and they believe that the conditionality attached by current situations is too severe, then they should be more than free to go ahead and do that. And if it works, it may provide an important additional source of you know, liquidation and lending in the international system.

And if it doesn't, then, you know, more fuel -- you know, them for having

conditions that are not as strict as what the international institutions developed over a painful yearning process of about 20 years, in which lots of mistakes were made and they were corrected. And so, I think that that sort of paying falls into the category of actually doing more as a stakeholder in the international order; you know, that we you know, should welcome -- we should welcome those attempts, even if we disagree with some of the specifics.

And (Inaudible) would be more, you know, concerned, is sort of providing you know, a blank check or a free pass to countries for any actions that they engage in, even if they are wrong actions or bad actions, as we saw in Crimea and Ukraine. And you can imagine plenty of other scenarios over the next 10 years.

I mean, are we really going to have the international grouping that is basically value free over value adjustments are only applied to western countries? Is that actually what -- what particularly, the democracies, but all five BRIC countries want? And I think it's you know, a difficult message for the U.S. to send, but I think it's just not a concern here. I mean, it's a concern shared in Europe by many other countries in East Asia and elsewhere, and I think that they should be pressuring BRIC countries at times of crisis to say, you know, there are rules of the game, and there are certain standards that need to be upheld.

And just said, we, you know, in East Asia or Europe are criticizing the U.S. for actions that they take that we think are wrong, then we should also criticize you, and to impose costs, you know, that way to say you can't just have your cake and eat it, too. You know, you need to have a philosophy of foreign policy, you know, or an approach.

And so, I think the BRICS Summit and the BRICS grouping will continue. I think it will deepen. I think even though they have differences, it is still significant, and

it's becoming more significant. But I think there is room to put some targeted pressure where those actions, I think, step over the line, and then elsewhere, where we do see this economic diversification, you know, may certainly complicate America's strategic options in the event of a crisis or something, but it's certainly a legitimate action for them to take in a legitimate way.

MR. JONES: Great. Let's go to the audience. I'm sure there will be questions, and we can take a few rounds and take it in any direction you want to go. So, let's start right up front. Do we have mics? We do not have mics.

SPEAKER: We do.

MR. JONES: Oh, there we do (Laughter). In the nick of time. So, please introduce yourself and direct a question to one of the panelists or to all if it's a broad question.

SPEAKER: Thank you. My name is Hanish Shod. I am with RCM Colombia and the Honduras Americas. I would like to know, do you think that Russia or Putin is trying to catch leverage? Over the in -- Washington indifference in Latin America? Thank you.

MR. JONES: Do you want to take that one?

MS. HILL: The very short answer is yes (Laughter). So, that was a -- (Laughter) probably a quicker round than you were expecting in terms of responses. And yeah, the leverage is very important. And I think, you know, certainly for Russia and for Putin, you know, with the collapse of the Soviet Union, obviously that loss of international projection, the withdrawal of you know, the sort of Soviet presence in Cuba, the remnants of a relationship with Latin, South Americans countries only really through the prism of Venezuela and Chavez, you know, obviously, there has been a great deal of a desire to turn that around.

And you know, the BRICS -- it's not just about China, you know, as we've brought out on this panel. Russia has always had a good, longstanding relationship with India. I mean, this is you know, something that we didn't really raise, but you know, since the Soviet period, Russia has continued its good relationships with the India and the region has all -- and has managed to consolidate that too, to some degree.

But Latin America and South America or the Americas overall have been a problem. And I think this is a fantastic opportunity as the Russians see this for -- you know, as we've talked about touching base around the region, finding new entry points, finding you know, ways of re-establishing Russia's protection in the region, and other areas of interest that it can build upon.

I think it's going to be a bit complicated, however, against the backdrop of Ukraine and Crimea, as everyone has mentioned. Not all of the other countries were all that comfortable about the stuff that Russia took in annexation. This is a critical issue across Latin and South America. As all of us know, there have been plenty of territorial disputes and plenty of claims.

The backdrop of Argentina and the ongoing dispute with the United Kingdom over the Falklands last (Inaudible) Venus, depending upon whose perspective, obviously raises the question, is Russia trying to make common cause with Argentina over a territorial claim.

But that can equally play in -- you know, Harold and others might be able to talk to this, in a very negative way. There's been a lot of speculation about whether you know, China will look at the Crimea episode you know, down in a future perspective in a very different way.

So, there's a lot of complications here that Russia faces, but this is a great opportunity to have leverage to be in the U.S.' backyard in a time when a lot of

people are questioning where the United States on policies in the region are going.

MR. JONES: Tanvi, you wanted to come in, and then Harold, I want to ask you how the Brazilians react, having the Chinese and the Russians trying to insert themselves in the neighborhood.

MS. MADAN: Just a couple of points on what Tom and Fiona said, because it ties in. I mean, the two themes being kind of a consistency and pressure. And I think one of the things -- and this is bringing out Fiona's point about the concerns that each of these countries have in their own neighborhoods about similar behavior that can play out to what Russia did vis-a-vis Ukraine -- so for example, you would see, I mean, there is little doubt in India that it has inconsistent positions on Russia and Ukraine.

Whereas if they saw China doing the same thing in the Asia-Pacific, they would have serious objections to it, as well, and specifically towards themselves. Having said that, this concept of kind of pressure and how you bring it is something that you see across these countries, and I think particularly one of the reasons why BRICS is -- they see BRICS as attractive.

And you see this, as you've said, all these countries have faced sanctions. They have, in India's case, Modi has very personally felt the effect, effects of being isolated by the U.S. And so the idea, if you're going to apply pressure, it has to be very, very calibrated, and perhaps, needs to be done in a way that is private and not public. Because if you do that and it's not calibrated carefully, the very thing that the U.S. is trying to ensure will actually go against it and be counterproductive.

So, if you, for example, say you need to come -- kind of call a -- you know, you need to call out Russia, you have them coming out and listing all of the inconsistencies of the U.S. following or not following interesting norms and law.

MR. JONES: Sure. Great. And in terms of Brazil's view of Russia and China's role in the region, I think generally speaking, it's been relatively positive. And in fact, as part of this BRICS Summit, the Brazilians have also invited other Latin American states to attend. They've set up a BRICS Unasur meeting, as well, which is a meeting -- Unasur is the community of South American nations to sort of in a sense, facilitate this kind of extra regional diplomacy.

I mean, Brazil, out of all of the BRICS, sees itself as the one that does not have rivalries or bad relations with any of them, and sees themselves as uniquely positioned to facilitate diplomacy among the BRICS countries and between the BRICS countries in the region. We also have to recall that Brazil and China have a very close economic -- the trade with China is very significant to Brazil.

So, from the Brazilian perspective, they've actually sort of opened up this sort of BRICS Summit to, in a sense, facilitate the Russian and Chinese relations in the region, which they in a sense, recognize as legitimate. I mean, they're much more concerned about U.S. participation in the region. They haven't really seen Russia's and China's participation as being a real issue for them yet.

MR. LIEBERTHAL: Could I comment on the Russia-China side of this?

MR. JONES: Yep, sure.

THE WITNESS: Not in a BRICS context, but just there was a comment made about China's reaction to Crimea. And let me put that in a little context, if I could. The Chinese, I think, see their relationship with Russia at this point as all up side for China.

They reached a territorial settlement a couple of years ago that basically took off the table territorial threats to China from Russia. And you know, that had been a longstanding problem historically, and in recent decades, too, and so this was a major

advance.

As was noted, the energy deal gives China a cleaner source of energy, especially in North China. It's a long term source of energy. We don't know all the pricing -- the details of the agreement. It doesn't make China dependent on Russian gas, but it helps to relieve the issues of diversification and of moving away from coal within China.

I think importantly to China, Russia has no problem with the notion of successful one party system. The U.S. does tend to suggest that that's not a long-term (Laughter) liable outcome. With regard to Crimea, I think you have to recognize two different Chinese reactions to what happened in the Ukraine.

In the Maidan, they hated what happened. They hated it, because they hate anything that happens in a square that produces (Laughter) political outcomes, especially when they see it as being encouraged by the west. In Crimea, they dislike the notion of a referendum. Especially a referendum that opened for independence, and then immediately for absorption by Russia.

And so in the UN, very unusually, they weren't going to veto a resolution that condemned this referendum and condemned what was happening in Crimea, but they did abstain on the resolution. And that is as far as they ever go in indicating a -- you know, that they disagree with what's happening on an issue that the Russian support.

So, I think here that the Chinese did not support Russia vis-à-vis, but they were rooting for Russia in its reaction to Ukraine as a whole, and you had to keep that in mind as it kind of helps to sort out where the Chinese are on this. But all within the context of a relationship with Russia that to them has been moving in the right direction in every dimension in a broader context, and these of strategic (Inaudible), I suspect is

giving India a little discomfort.

MR. JONES: I saw several hands. So, let's take -- we'll do a round on this side, and then another round on this side. So, starting here, and we'll just go back, we'll take this side.

MR. FARMER: Could you speak to the relationship between Japan and BRICS, specifically the deepening relationship between Japan and India with Modi and Abate, the increasing tension between Japan and China over the island, and what role, if any, the U.S. should take in relationship to that group of issues.

(Discussion off the record)

MS. SERITANI: Hi, Alysha Seritani with EIR Magazine. Oftentimes, I don't think any time in history, major economic power shifts have ever occurred nicely, calmly. And this is going to sort of disrupt the violent agreement, I think.

If you look at all the different nations involved in BRICS and U.S. foreign policy towards those nations or western foreign policy, there are violent disagreements. Anthony Chordsman had a great report on colored necessary evolutions Moscow Security Conference presenting these colored revolutions from the west.

The Chinese followed it up, said we don't like the way you, you know, export democracy. There's a battle royale going on in Argentina between these vulture funds which will be a precedent center basically from the western economic policy will become hegemonic when it's a battle for sovereignty in some of these nations.

This isn't a nice transition. I mean, these are the kinds of things, frankly, that world wars are made out of. And my question, I guess, could be is, when is that going to be the discussion here in the United States instead of this nice, oh, they're making agreements. They're nice. These are the figures.

This is sort of a subjective challenge to the western United States. One

of the discussions here are going to be well maybe, maybe this last 30 or 40 years of financial services experiment has sort of failed us, and we should go back towards these sorts of investment that these nations have been making.

MR. JONES: I have a couple more in this round, this side.

MR. MERRICK: Charles Merrick. My question to you is, the panel is, do you feel that the general decision away from an economic focus to a more diplomatic focus on the BRICS is a result of just a natural progression on the issue, or is it more that we just -- the whole initial creation of the BRICS as large growing economic areas is now no longer true for most of the member states.

MR. JONES: Another right behind you.

MS. SAYRE: Diane Sayre, EIR, also in New York. I think the United States, if you look at what just happened with Germany where our top CIA official was expelled for spying on their various negotiations, and then what Kerry did in China, which I found particularly shocking on this CCTV interview where the reporter showed a map of our military bases encircling China, and Kerry said no, we're a Pacific nation and you're a conspiracy theorist. (Laughter)

And then, the inability of our Supreme Court to enforce, as was mentioned with Argentina, the vulture funds, I think the United States has suffered an extraordinary loss of credibility and respect because of our foreign policy and the policies of this administration. And my question to the panelists is whether -- it's something that's come up now in the Congress recently, which is the question of the impeachment of President Obama, could have a positive impact on international relations as the United States returning to be a nation under the rule of law.

MR. JONES: Okay. Last question right at the back, and then we'll --

MR. REACH: Hi. My name is Clint Reach. Question about Russia and

China. In these places where you have growing middle classes and relatively inflexible political regimes, over the long term, how much of a handicap do you think the political arrangements of these countries, should there be an economic slowdown or a recession, things like that, will be their future long-term growth and stability in these countries?

MR. JONES: Great. There's a lot to chew on. I'm not going to suggest who wants to talk to what, but please don't feel you need to address all of the issues. So Tom, do you want to start? Do you want to address the Japan thing? But jump into any issue that you want.

MR. WRIGHT: Oh yeah, just a couple of points. The first is on globalization and the BRICS. I mean, I think it's important to remember that the BRIC countries with the exception of Russia, I think have been tremendous beneficiaries of globalization. I mean, globalization. And they may be reconsidering after the 2008 financial crisis, just as the whole world, I think, is trying to figure out how to make the international financial system less volatile and more effective.

But it was the opening up of the global economy that really facilitated China's rise in the 1990s and 2000s, and India and Brazil with large benefits not just for them and for their people, but for the international economy as a whole. And so I think that that -- we ought to see these developments in that context. I don't see the development bank or the other economic initiatives per se as an alternative to the open global economy.

I think what they are trying to do is to reduce the leverage that the United States or other countries will have over them. And so, they see it as a way of sort of continuing the global economy with more of a safe for them, or certainly more of a safety net.

The second point I just want to make is on Russia and China. I think

what happened after Crimea with the U.S. and European sanctions on Russia is probably being seen in Beijing as something that's being observed with interest, because if there were to be a future crisis in East Asia, you can imagine that the first U.S. response would be economic. Right? I mean, that was the response previously.

It seems like a much more attractive option than the military option. So, some of these sanctions that we've seen rolled out, other countries may worry that they -- particularly China, that they could be used against them. And so I think we -- you know, it's not that that creates an alliance or a very strong relationship in and of itself, but I think it does mean you know, that China will look at this and try to figure out it could hedge against that risk in the future.

And it has many more options to counter that sort of sanction strategy, I think, than Russia has. And so I think we'll see some adjustment there. On Japan, I'm not -- I don't know what Japan's relationship is with the BRICS, strictly speaking in terms of an institutional to a country relationship, but obviously, Japan has a very fraught relationship with China.

It had quite a good relationship to Russia and Abate was making real progress and a diplomatic breakthrough with Russia up until Crimea, and then that was basically pulled or suspended because of U.S. concerns. And so, I think there has been sort of a freeze or a postponement of those negotiations this year.

But really, I think Japan's diplomacy is focused regionally, and it's in establishing ties to other countries in east Asia as part of what it sees as a balancing strategy against China.

MR. JONES: Do you want to pick up on the Japan issue and then anything else that you want?

MS. MADAN: I think on the Japan India, there's been little doubt that it's

been a major priority for not just this new government, but for the previous government as well, especially in the last year that it was in office. Modi, himself, when he was Chief Minister of Gujarat Japan multiple times trying to attract investment to the state of Gujarat, and Gujarati business more market access in Japan.

Modi also has a very close personal relationship with Abe. They -- I wouldn't quite call it a bromance. We haven't seen it play out on a (Laughter) -- but they are quite --

SPEAKER: The BRICS (Inaudible)

MS. MADAN: I think that might be with a couple of the others, but yeah, they do get -- they come at certain problems from similar viewpoints. Last year, if there was one kind of foreign policy priority that you saw in terms of the country and India, it was Japan. It was the year of Japan. You saw the Indian prime minister go over there. You saw the emperor visit India for a week.

You saw Shinzo Abe go earlier this year. There is cooperation on defense, energy, economics. And one of the things that's key with Japan's relationship with India is unlike the other southeast -- the kind of countries in southeast Asia and South Korea, India has no historical baggage with -- from World War II with Japan. I mean, the fact that they didn't get into British India probably helps that significantly. But there's no historical baggage.

And underlying all of this, not just kind of the economic opportunity that each offers for the other is China. There is little doubt that China is in the back of the minds of both Japanese and India policy makers. It is a great for Indian policy makers to signal in their minds China that they have options, and that those options aren't just the U.S.

But this is not taking -- these developments and this cooperation isn't

taking place in isolation from the relationship with the U.S. There's a U.S.-Japan-India trilateral. It's been going on for a few years now, and it is considered to be actually fairly productive. It focuses on a number of issues, and China, as well. It focuses on China.

And Indian policy makers will say that they think that Japan actually takes them more seriously today than it did 10 years ago, because they have a better relationship with the U.S. So, I don't think it's in isolation. I think it's seen as cooperative. The relationship with Japan also helps India kind of diversify its options against -- or at least in terms of balancing China, India won't use the word "contain." They don't think that's possible or desirable, but balance is something that they will talk about.

And India doesn't think any external actor at the end of the day is reliable, whether that's the U.S., whether that's Japan. And so the two ways it actually deals with countries that it thinks are of concern are one, to actually build up internal capacity. That includes kind of what they're striving towards is a strong economy as well as maintaining a nuclear capacity, which of course, has been -- nuclear weapons capacity, which has been a source of tensions between Japan and India in the past.

But also, in terms of having multiple partners, so that if the U.S., for example, doesn't heed India's concerns in China, then India has other partners in which to rely upon.

MR. JONES: Ken, China looms over a lot of this conversation. Any reaction or responses to any of the questions?

MR. LIEBERTHAL: Yeah, there are a lot of -- I've noticed China comes up quite a bit.

MR. JONES: (Laughter) Yeah, it does.

MR. LIEBERTHAL: Let me comment on two of the issues, and feel free to raise others if you want me to address them specifically. One, the China Japan

relationship. This is really fraught. It's fraught in part because of something that happened in 2012 that hasn't been remarked on to my mind, sufficiently in the context of the politics of the region now, which is for the first time, I think ever, we had China, Japan, Russia, North Korea, South Korea, Taiwan and the United States all have successions or elections in the same year.

The politics of all that in any country tend not to encourage flexibility and nuance in foreign policy. But the result of those changes in leadership was that you had leaders come in in South Korea, Japan and China who have family histories that make how you remember history and the grudges of history particularly salient. And so, you have a very nationalist leader in Abe in Japan, and Xi Jinping is -- you know, it's one of the sons of revolutionaries in China.

And these folks don't easily compromise on matters of historical memory. As Abe has sought to move Japan to be in what's called a more normal country, to reinterpret articles of the Japanese Constitution that we basically wrote, that prohibit Japan from engaging in more than self defense narrowly defined; in other words, not collective self defense, but just defense of attack on Japanese territory, China worries that the value to China of the U.S. Japan alliance is now diminishing, because one of the advantages to China of the U.S. Japan alliance was it prevented Japan from making decisions on various kinds of military capabilities that it would develop, and how it would link up others on those capabilities; weapons sales, collective defense and so forth.

All of that was made -- was taken off the table by the alliance. And now despite the alliance, Japan is moving in these directions that China finds more troubling than I think it should. But anyway, interprets it as being very troubling, and that increases tensions between the two countries.

In terms of the Senkaku Diaoyu issue, I think the concern there ought to

be the potential still for accident or incident that causes loss of life, where neither country is well positioned to manage the ensuing crisis effectively. And neither country, to my mind, has taken this potential seriously enough to actually develop crisis prevention and crisis management mechanisms ahead of a crisis. So, we may face something conceivably before this session concludes in 45 minutes, that is something that no country in the region is well prepared to deal with.

And that should worry people a lot more than it is at this point. The Chinese Japanese economic relationship, though, continues to move along fairly well. In other words, the idea here is, let's not let geopolitical concerns affect economic ties, because we both benefit from the economic ties.

MR. JONES: Right.

MR. LIEBERTHAL: And we'll try to keep those separate. Let me make one other comment that a -- a question that where frankly, I disagree with the premises of the question, but it gives me an opportunity to say something (Laughter). This is on whether impeaching President Obama would somehow or other increase U.S. stature and credibility. And I think that -- I disagree totally with the premise.

Having said that, I do think what is important in how all of this plays out is how people view the United States. Some of that is U.S. decision making and foreign policy, and I suspect we have at least six different views on the podium about that, on particulars.

But more fundamentally, it is whether the U.S. government is capable of agreeing on the essential things that will enable the U.S. to have the kind of dynamic, innovative capacity to adapt and to renew itself after various kinds of challenges that has been what's distinguished us in our modern history. It isn't that we've avoided internal crises. We haven't avoided them at all. What we've done is been better than any other

country at bouncing back from them, learning from the mistakes or making adaptations in our system, and being able to emerge stronger from the process.

I'm old enough. I remember three or four cycles of that, where Americans were extremely pessimistic. And then a decade later, we're sitting here saying boy, you know, where did that come from? We're doing pretty well. Right now we are seen as so dysfunctional that frankly, if there is another serious challenge to raising the national debt ceiling, that's going to come up soon, or if sequester is -- again becomes a dominant factor in our budgeting process, I think that does more damage to the United States globally than any of the particular decisions on sanctions or this or that, where you know, there are always folks who will criticize us, sometimes I think rightly, who -- you know, again, it depends a lot on context.

But the fundamental issue with the United States is, do we by example of what we do domestically, demonstrate that you know, for good reason we play an outsized role in the world. And we'll have to see.

MR. JONES: Fiona?

MS. HILL: Well, I think Ken's just his finger on the crux of the issue that ties in through all of these questions here. And Bruce, have written a book about this, "Still Ours to Lead." And I don't think you had a question mark on that title (Laughter). I think you were actually making the case that Ken has that you know, that you know, the United States still you know, basically can do it.

But obviously, from the outside world, the reason we're sitting here talking about the BRICS is there's an awful lot of questions about you know -- as the questions from the floor have reflected, about whether the U.S. is still capable of doing it, given what seems to be from the outside such a massive, crippling dysfunction in our current political system.

I think that's why we're having so many challenges, and why the outside players here seem to be in agreement, is that they do not believe that the U.S. right now is living up to its values and principles, and indeed, you know, the initial kind of question about the backdrop part today of the whole crisis in the U.S. German relations, one of the fundamentals of the trans Atlantic alliance raises that even more so.

If the U.S. is going to be at odds with some of its major traditional partners, where is the U.S. heading? And that's exactly why everybody else is basically saying, we need other options. Even countries like India that have had very good relationships with the United States, difficult at times, or Brazil, who you know, feels obviously that you know, in the western hemisphere it has an important relationship with the United States, and even countries like Japan, where the security relationship with the United States is one of the pillars of Japan's own future security, especially at it relates to the relationship with China.

One of the interesting aspects on Japan, too, is I mean the United States obviously has this very key relationship after World War II. Everybody else has all the baggage, as Tanvi has said, apart from perhaps India with Japan and the baggage with China is threatening to pull both of them down into crisis.

But the Russians, you'll have major baggage with Japan. They still don't have a peace treaty. They still have a territorial dispute over the (Inaudible)_ of the northern territories again. You know, every territorial dispute has a different name, depending on where you're looking at it from.

Russia was actually trying again, as part of this diversification of foreign policy, in spite of the good relationship with China, to diversify relationships by improving relationships with Japan. And if it hadn't been Crimea and the crisis in Ukraine, they would actually have been very much on track with the improvement of this relationship

moving to a diplomatic level beyond the economics in this year.

Putin was scheduled to go to Japan. He had been courting Abe for the last two years. There was talk about peace treaty. There was talk about some kind of resolution of the territorial dispute. And Russia is very eager to have diversification of energy exports also to Japan. They've been developing the Sakhalin Island resources specifically for Japan.

They were hoping to offset the gas deal with China with new energy deals with Japan. There was always this desire to balance, and as we've been talking about all these messy transitions, these conflicts have thrown this off. So, I think you know, the question that we were left with that Ken answered is really the big one. It's really about whether the United States can prove to the outside world sufficiently, and to these player all in the BRICS that it's still got the ability to lead, that it still is ours to lead; that it's going to be the crux of where we head next.

There was one thing that I noticed that we hadn't mentioned really, South Africa in all of this. I mean, I think you know, the Russians and the Chinese -- I'm not sure what they have really to say on the South African point --

MR. JONES: You weren't supposed to point out that we hadn't
(Laughter) mentioned that.'

MS. HILL: But I was thinking about it. And the other you know, point on this as well is, it becomes the big issue about you know, how is the United States going to deal with all of these further on. So far, Russia hasn't tried to make a play in Africa, although I think that might be the next event.

China obviously, is a major factor in Africa. So, and I think you know, what the BRICS grouping tells us is that throughout the world, in all of the traditional regions where the United States has had some kind of role to play, there are questions

about what you know, the U.S. intentions are. And I think we'd have more and more panels on this topic as we move forward.

MR. JONES: Just briefly, I wanted to add too -- I mean, the question was raised about the sort of great power transitions and whether they're inevitably violent. And I think that Ken talked one of the biggest risks, which is in the China Japan relationships.

I did want to say that the history of this tends to get oversimplified. The sense that every time that a new power rises there's always war. That's just not true historically, and if you want one reference, the United States overtook the Russian economy in about 1890, and that didn't cause a war. I mean, it depends on the nature of the relationships within the system. Right?

Fairly frequently there are also wars between the second and third power in these transitional moments, not against the top power, and that's where it seems to me that China will have a Japan question. And in a sense, also the U.S. -- I mean, sort of the EU Russia tensions over the Ukraine sort of fit that pattern.

But there's nothing automatic about it, and I think what's interesting about this moment is the sense that there are those risks of these tensions becoming militarized, but there are also alternatives in the question of what role the United States plays and policy terms and in other things, and how all of the other actors play with their roles will shape that outcome.

One just quick point on the -- you know, because one of the things that's come up in a number of the comments is energy. And on this question of recovery -- it's not a full answer, but I do think that the nature of -- the sort of dynamism over the U.S. energy revolution over the last 10 years is significant in terms of both economic recovery, but also in terms of the perceptions of the private sector in India and in China and

elsewhere about whether or not the United States will continue to be a major actor in the global station. I think that factor is there.

Let's do a lightning round. We'll do a second round, and then come back to the stage, and then this time, I'm going to work this house. We'll start at the front and work backwards.

MR. CHANDLER: Thank you. Carol Chandler. Part of the discussion is about countries like Brazil and Russia wanting influence. So, could you define what influence is? Does Brazil have any influence? Does it have more influence than Mexico or Indonesia? What's going to happen with Indonesia and Pakistan and Nigeria that have equal populations to Russia and Brazil?

MR. JONES: Middle here? In the back?

SPEAKER: Hi, I'm Perog, Center for American Progress. I had a question about India and China with respect to China's recent aggressions over the line of actual control, whether India and China can resolve the disputes of those border claims.

MR. JONES: Go ahead.

SPEAKER: Yes, hi. Is it BRIC or BRICS? Not too much about South Africa. And I'm wondering its presence at the summit -- are other African countries invited as well? Is it playing some sort of role as conduit to other South Africa -- other African countries about developments? How seriously is South Africa taken? And what kind of future does it have within the BRICS, with so many other competitions and so many other sources of conflict within the African continent itself?

MR. JONES: Great. And one last one at the back, and then we'll --

MR. WILKINSON: Sure. Winston Wilkinson. When the BRICS concept first came out, it was all -- it was based on economics and economic growth. So, as

many of these countries struggle to achieve the growth that was expected, will their influence kind of wane? And what does that mean for the relevance of the organization?

And second, I guess when you look back at when these countries began to meet, Lula was a huge personality there. Who is the personality now that's going to drive it forward?

MR. JONES: Great questions. On South Africa, we were talking about this in the kind of green room before hand, and we decided that this panel was sort of accidentally symbolic of the way South Africa plays within the BRICS. It's really not a major factor in the BRICS, I have to say.

And it's very striking to watch the dynamics that you talked about with the Africans, where I mean, there is not an African country that would accept the notion that South Africa is somehow representing Africa within the BRICS. And one of the things we see is, none of these countries have been able to turn the BRICS mechanism into some way of sort of having a broader role in representing their region.

They get tons of resistance from that -- from the region, as the Mexicans would absolutely reject the notion that the bazillions were representing them or anything else. So, it's been quite interesting to watch that dynamic. Just whoever wants to jump in (Inaudible) --

(Simultaneous discussion)

MR. LIEBERTHAL: Well, I was just going to jump in on a couple of these. One is this issue of the role of South Africa. And I think in fact, Brazil has -- we talked about Brazil creating all these different venues for interacting. It actually sees the sub grouping of IBSA, the India Brazil South Africa group as a way of talking about certain issues that it can't bring up in the BRICS context -- issues associated with democracy and human rights and social inclusion; the kinds of things that the

democracies of the group care about.

And in that sense, South Africa is important to Brazil. Brazil also sees Africa as a particular area of influence, bringing up this issue, where it is able through its own development assistance to actually -- and to its own experience, actually, of bringing millions of people out of poverty and growing its middle class, of offering some experiences to African countries where they can share in a certain sense some of the techniques and technologies and approaches that might be useful.

And this is very much in keeping with Brazil's approach to development issues, where it doesn't really want to be seen as in terms of providing assistance, but much more in terms of sharing. Brazil -- the way they approach this issue is, we've had these kinds of issues inside our own country. This is how we've approached issues of poverty reduction, social inclusion, improving various areas of our economy, of achieving growth.

And what can we offer to countries in Africa? And it really sees -- because outside of Africa, Brazil is one of the countries with the largest populations of person of African descent. So, there's a very special link there. So in a sense, Brazil and South Africa, I think, there are some more logical connections that may -- South Africa to the rest of the BRICS.

MR. TRINKUNAS: But if I'm not mistaken, it's been now what, two and a half years that we've been trying to hold the IBSA Summit and haven't managed to pull it off.

MR. LIEBERTHAL: Right (Laughter). So, maybe some of the limits of the concept.

MR. JONES: Right. Tom, any thoughts on these issues?

MR. WRIGHT: Yeah, I'd just like to take up the last question again, because I think the gentleman raised an important point, which is the story of the first you know, eight to ten years of the BRICS was one of economic growth. I mean, that was why the whole concept was devised in the first place. It was to try to describe these sort of dynamic economies. It provided a very healthy return in investment for investors.

And that has really ended, and the BRICS, I think, will not be the story of this coming decade. The emerging economies of this decade are quite different. They tend to be smaller countries that still provide large returns for investors, but aren't as geopolitically consequential.

And so, I don't think that we will sort of be talking about the BRICS as the driving force of the international community. Obviously, it includes some very large economies, but they have problems of stagnation and slow growth, just as the western countries do. But I actually don't think that that means that the BRICS will be less important, because I think what's come up, which in a way is more important geopolitically is that there is now a diplomatic or geopolitical rationale for the BRICS.

And we've spoken about it throughout this panel. One of diversification, one of hedging against the United States, hedging against sort of a western system that they see as stacked against them. And that in some ways is more powerful, diplomatically, than the economic growth, because you could be growing fast economically, and really disagree with each other in a whole range of issues and have nothing that ties you together, in which case, the grouping is just an economic thing. It's not really that important in other ways.

But this, ironically is flipped. The economic side is less important. The political side is becoming more important, and I think in a way, that may actually make more of an impact for them internationally than for their first decade.

MR. JONES: So this has been one of the key themes, it seems to me, that comes out from this. But there are all these continuing tensions, and the India China one is real.

MS. MADAN: Yeah, just to step back for a second from the India China thing to -- I'm not sure -- at least from the way India thought about BRICS, you could ever kind of disconnect the economic and political. It was always seen as a way to kind of expand options. It was in some ways, very much a product of its moment when the first BRICS Summit as Tom and the questioner said.

The moments seemed to be that of the BRICS. They were the ones. I mean, India had close to 10 percent growth rate. Today, it has 5 percent growth rate. But not only that. That was just kind of an underlying theme of oh, the U.S. is on the decline. This is just after the economic crisis hit.

And so there was kind of that underlying that moment. So there was an economic element, but this was always both political and economic. Having said that, given a choice, India would still prefer not to talk about political issues, especially in the communiqués. They'd rather avoid them. But they understand that some of the other countries do want to actually put that in to get you know, their stand in and some you know, perhaps not endorsement, but to asset support for some of their views on that subject.

On India and China, I mean, there is the territorial dispute that has existed for decades now. One thing I'd like to say, because we've talked a lot about (Inaudible)_ didn't get attention. But there is a lot going, perhaps to a greater deal than ever before, in terms of the cooperative aspect of the relationships, not just in multi-lateral forum, but also, particularly on the economic side, where India sees -- and this is kind of the economic Modi who sees China as a major opportunity, both as a market for Indian

companies, but also, as a source of investment into India, as well.

He is quite admiring of what Chinese leadership has managed to achieve on the economic side, and so there will be a lot of talk. The last few years for the China India economic relationship has been a bit tough. Trade has actually dropped for the last three years. There have been some issues over market access in both countries. There have been complaints, the WTO, et cetera.

So, it's not exactly an all good relationship on the story on the economic side, but that does exist, and it is going to be a major part of the relationship. The Chinese are rolling out the red carpet for Mr. Modi. As much as we will see Modi visit Japan and then the U.S., you are also going to see a visit by Xi Jinping to India. So, this is kind of going on parallel tracks and intersecting to some degree.

But on the territorial issue itself, I think at some point last year, they decided for various reasons that they weren't going to try -- the priority wasn't to try and solve it, but to manage it, partly because of the concern similar to China and Japan that Ken talked about, that the chance of miscalculation or accident, getting the two countries into a situation at a time when both the Indian and Chinese publics were nationalism was rising.

And in India, if there's two countries that elicit a lot of -- a kind of vitriol in the public atmosphere, it's China and Pakistan. And so, those are two countries in which the policy makers do feel pressured by public opinion. And in that context, to get into a kind of a cycle where you get -- where a small incident at the border could flare up -- this is something that both governments are quite conscious of.

The Indian government is still trying to figure out what happened last year when there was a face-off in April last year. They thought all of the signals coming out of the new leadership in China had been -- including starting from the BRICS Summit

in Durbin, that this was going to be a cooperative relationship; that China was going to start to pay more attention to India. Lee Ka-Ching had announced that -- or the Chinese had announced Lee Ka-Ching's first visit will be -- visit abroad would be to India.

And then this border incident happens, which to this day, they're trying to figure out who made the decision, why did it happen. They eventually ended up figuring out a way to manage it, but there's constantly this concern that these kind of situations come up again and again. So, what they're focused on at the moment is making sure that there is a border management mechanism in place.

They have started ensuring that, for example, the Indian Army Chief was in China a couple of weeks ago, so that there's more interaction on the defense side. Just so that there's not a sense that they'll be able to necessarily solve this, so stranger things have happened, but that they will be able to manage it.

And you do see kind of -- whether we'll see that India will see this as a moment when China, given its relationships that have been fought with a few of the other countries that around it, will actually try to see if they can at least talk about some of these political issues to a degree that they couldn't before. That's something we'll wait and see. We'll perhaps know more in the next few months.

MR. JONES: I'm going to turn to you in a second, and then give Ken the last word, which seems appropriate, given the China role. But before I do, I just wanted to briefly touch on the question that was raised about Mexico and Indonesia and others. And I do think this will become a source of debate; it will become a source of concern.

I mean, we've already seen that the little bit of statistical rejiggering that Nigeria's economy is now larger than South Africa's, and it's certainly the more dynamic actor, and in a way, the more significant actor geopolitically, increasingly. And so, the question of how these other emerging powers who sort of accidentally, in a sense,

formed into this club relates to some of these dynamic new actors -- Mexico, Indonesia, et cetera. I think that is going to be a question mark?

I think it's also interesting to notice how they interact with the G20. I spent quite a lot of time watching the dynamics of the G20, and one of the things that I would have expected to see is that countries that are not in the G20, but are sort of from those growing parts of the developing world should have been happy by the expansion of the G7 to include other developing states.

Quite the opposite. I mean, it's one thing to be excluded from a small western club. To be excluded from a larger club (Laughter) is much worse. So the kind of resentments of those that are not in the G20 against are actually pretty significant. And we focus a lot on great power dynamics. But all of those great powers have very important relations with this second tier of powers.

And exactly how that gets managed in the coming period strikes me is going to be quite important to the dynamics of the global economy and of geopolitics. Fiona, any issues that you wanted to raise?

MS. HILL: Yeah. I mean, I'd like to also pick up on this idea that you know, you raised about what is influence here, because that can go in many different directions, as Bruce is alluding to here. And this issue of resentment is very important in here, because when you look at it from the Russian perspective, Putin and the people around him have made it very clear that they actually think that there are very few big players in the world.

In fact, he's always talking about sovereignty and you know, the kind of importance of this issue. And when talks about truly sovereign countries, he only really ever mentions the United States, and not always in the first place, Russia and China. So, kind of clearly -- and the Russian perspective. You know, the influence or the circles of

influence are very small.

And Russia often sees this influence not in the terms of you know, doing something for broader regions, and Russia spreads over many regions, obviously, given its vast size. It doesn't necessarily seem it in economic terms, either, and certainly not in terms of demographics or population.

I mean, you rightly mention the population size of some of these other countries, Mexico and Nigeria and Indonesia, you know, Russia's population has been in something of a decline, or certainly a stagnation for some period of time. And in terms of population, Russia's not a big player. But Russia also sees it as the means to block things that you don't like.

Because I mean, influence can be positive or negative. And it doesn't necessarily mean you know, putting trends in a rather conflictual direction. It just means being able to stop things that you don't like from happening. And the ultimate source of influence and leverage, you know, getting back to some of the earlier questions for Russia is within the United Nations system. The ability to have a veto of the Security Council level, and that also means you know, restricting the number of players that you have in there.

It's obviously -- it's easy to have influence when you're talking about smaller numbers of players than it is in one of these larger entities where you have a lot more resentment, a lot of people jostling for that position. So, Russia sees influence in being able to be in lots of different organizations at once, whether they've shifted from being economic to political.

It also does kind of very carefully steward the number of entities that really count. This is why Russia is extremely eager to play off this relationship with China, and the place that it still sees as having the biggest clout, which is the UN Security

Council. So, it may want to play in the BRICS and in the G20 and in every other organization it can, downplay the idea of the G7, now that it's been kicked out. But it really wants to kind of keep the real arenas small and with as small a number of people as possible, which means that you know, the question about what pop personalities count.

Putin obviously has a rather outsize personality. I mean, if you think about someone on the stage, you know, the world stage today, who's the guy who's attracting all of the attention? It's Putin, and he wants to really kind of keep it that way. He's probably quite happy that Lula has disappeared (Laughter) and everybody else doesn't look quite so interesting.

I think you know, in the China context, you've got a very interesting development where we're seeing President Xi becoming more influential perhaps, getting back to this point before, than previous Chinese leaders, and certainly, eager to play a different kind of role. And Putin might be watching this very carefully, too, because certainly, Russia doesn't want to see like India and everyone else, China becoming the dominant player.

And what you'll see is, as China and She Pops come to the fore, more Russian hedges against China as well, just like everybody else.

MR. JONES: I did think it was striking, by the way, that before the Ukraine, Russia was the only country that was in all the top clubs. It was in the G8. It was in the BRICS. It was in the G20. It was in the Security Council. It was the only one.

MS. HILL: Yeah, and that's why it (Inaudible) --

(Simultaneous discussion)

MR. JONES: Even the United States wasn't in all of those clubs
(Laughter).

MS. HILL: And the G7 -- and I'm sure they're to now bury that one.

MR. JONES: Ken, any issue you want to raise? But if you had thoughts about how China thinks about influence, and I'm also interested if you have thoughts about whether it's conscious of the costs of influence. I mean, the United States has a lot of influence, but also (Inaudible)_ of cost.

MR. LIEBERTHAL: You raise a very good point. You know, China has been wrestling with its own success. You know, in 1993, China and Russia had basically the same GDP. Now, China's GDP is about four times Russia's. Right? I mean, this is really a phenomenal change. And it's catapulted China's weight in the world to the point where China is now engaged in Latin America, in Africa, in Europe, with Russia, around Asia, almost everywhere, China is a major trading partner.

Chinese behavior on trading and investment issues affects significantly local economies and local politics, and the China are figuring out -- they're trying to figure out, okay, how do we be successful here? How do we have a real impact without generating the kind of blow back that over time, undermines our stature and our positive influence. And I think they're in the very early stages of figuring out how to do that.

And frankly, it's not easy, because the rest of the world is changing dramatically, too. I mean, this is not a time when the world is experiencing very little change and straying on its own. China has decided some years ago -- you know, within the last decade that one of the things it really needed to do was to increase its soft power; to make much more effort to get a China kind of point of view out there, and to try to model itself at least roughly on things like -- you know, there are Confucian Institutes set up to teach Chinese language abroad with the Chinese footing the bill for it, associated with major institutions that are high quality institutions and that kind of thing.

I think what they're finding is a little bit of a head scratcher (Laughter),

that they may be investing a lot of money, but in many ways, their reputation is headed south rather than north. I don't mean south between north south (Laughter). But I think they're finding that they just have to do a lot more to figure out how to attract understanding of their position -- sympathetic understanding of their position, and be able to promote what they see as their interest in a way that doesn't end up mobilizing others to try to stop them.

It's a problem that every powerful country has. I mean, the reality is, powerful countries become more convinced that they basically are right. They're successful. You know, they have good intentions. And it gets them very irritated that others push back and partly because they're afraid of their power. They don't want them you know, dictating outcomes or having undue influence on outcomes.

I think this panel has highlighted China's contradictory position on this, on the one hand, moving in directions internationally that you know, a lot of countries, especially outside of the advanced industrial powers see as broadly in their interest. If you will, "democratizing the international institutions, diversifying opportunities."

But on the other hand, no one wants to see China have too much say in this (Laughter). But at the end of the day, I think we'll see, for example, the new BRICS bank both adopted and headquartered in China. If I'm wrong, fine, glad to be wrong. But if that's what's announced in a couple of days, we know that at least half the countries among the five -- I'm sorry, there is no half (Laughter).

MR. JONES: Half of the rest of the countries.

MS. HILL: Half of the rest. Yeah (Laughter).

MR. LIEBERTHAL: No, but there was concern in every other country that this not be headquartered in China.

MR. JONES: Right.

MR. LIEBERTHAL: But when you have \$4 trillion in foreign exchange reserves, that does increase your (Laughter) decision making influence. Right?

MR. JONES: Right.

MR. LIEBERTHAL: So if it ends up being announced in China, I think that's exactly the kind of thing that highlights the contradiction between being able to get your way, but getting your way may, in fact, over time, make that a more fraught set of relationships, therefore, less effective than you had saw it in the first place.

MR. JONES: Well, the first round really brought out the same of diversification. The second round, I think, added in some contradictions that all of these countries face, and China in particular. I think that was a great note on which to end. I know that all eyes will be glued on Brazil on Sunday for the World Cup final, but I hope that some eyes will also keep watching for Brazil in the BRICS Summit.

And I hope that this panel has given us some ways of understanding what happens at that meeting. So, let me ask you to join me in thanking the panelists.

(Applause)

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