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INDIA'S ASIA-PACIFIC POLICY: FROM "LOOK EAST" TO "ACT EAST"

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PANEL 1: INDIA AND CHINA:

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PANEL 2: INDIA'S "ACT EAST" POLICY & THE U.S. REBALANCE:

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P R O C E E D I N G S

MS. MADAN: Thank you all for coming. Welcome. I'm Tanvi Madan. I'm director of the India Project here at Brookings. We decided this was a particularly good time to host an event like this, looking at India's increasing interactions with East and Southeast Asia and beyond, stretching to Australia and even with that other Pacific country, the U.S.

I'm going to let Richard Bush, who is the moderator of the panel, take on the moderating duties, but I just wanted to set the stage a little bit in terms of those increasing interactions between India and the countries of the Asia-Pacific in the last few months.

After an initial period of a first month and a half or so of concentration on South Asia, we've seen in the Narendra Modi government in India focus on East and Southeast Asia, as well as Australia, as countries from where they have a number of incoming visits, but also where not just the Prime Minister, but the Indian President, the Foreign Minister, and the Commerce Minister have been looking east so to speak. And what we've heard is the Foreign Minister emphasize that India's "Look East" policy, which has been in place for a number of years, really needs to turn into an "Act East" policy, echoing not just something a number of Southeast Asian countries particularly have talked about, but also Former U.S. Secretary of State, Hillary Clinton.

This is why what we're going to do today is look at what it's going to take to go from "Look East" to "Act East," but what that policy of "Look East" is actually involving. We will be webcasting this event and video will be available. And for those of you who are tweeting, the hashtag we're using is #ModiAsia. With that I'm going to turn it over to Richard.

Panel 1: India and China

MR. BUSH: Thank you very much, Tanvi, and thank you for the opportunity to moderate this part of the program. I would only say at the outset that the India-China relationship is not a new relationship. I wager to say that China has more Buddhists than any other country in the world and China got Buddhism from India. I recently read Rana Mitter's very good book about the role of the Republic of China in the Second World War. And the new thing I learned from that book was that Chiang Kai-shek made a trip to India and met Jawaharlal Nehru and immediately bonded with him and they had a very good rapport. They were the leading nationalists of their two countries and civilizations.

But we're talking about India and China today, so Tanvi, we'll start with you. Please tell us, what are the broad contours of this bilateral relationship?

MS. MADAN: Thanks, Richard. I think we've heard yesterday the Indian Foreign Minister gave a briefing, which was quite unusual, where she said let's just admit this India-China relationship has elements both of cooperation and competition. And there's been an emphasis in the past on talking a little bit more about the cooperation side and not mentioning or not explicitly talking about the competitive side of the relationship, but both do exist. On the cooperative side you've seen both kind of on the bilateral level, which is a lot more dialogue, particularly newer dialogue about a year or two old on issues like counterterrorism as well as Afghanistan and some more defense interactions. But also cooperation on the political and diplomatic side at the multilateral level, most recently evidenced at the BRICS Summit where Mr. Modi not just had meetings on the multilateral side, but also bilateral with President Xi Jinping who will now, of course, be traveling to India next week as part of a broader visit.

We've also seen cooperation on the economic side. U.S.-India trade and investment has grown overtime, though not necessarily in the last few years. But trade,

for example, has gone from almost nothing about a decade and a half ago to about \$67 billion. China is India's largest trading partner when it comes to goods. And the investment side has been growing, though again, it's not as much as it potentially could be.

We've seen this relationship also involve newer actors. The private sector -- Indian companies, Chinese companies -- being a lot more involved; state governments from India also taking a fair bit of interest, including Mr. Modi himself when he was Chief Minister of Gujarat and visited China. And so we've seen cooperation in a number of these elements, both as I said political and economic.

But we've also seen the competitive side of the relationship that has persisted. I'd say the number one issue that has kind of shaped the political/security side of the relationship has been the border dispute between India and China. Many of you probably know about that in some detail and that has persisted. And it was brought up, in fact, by the Indian Foreign Minister yesterday who not just pointed out that since India has a one-China policy, China should have a one-India policy and particularly mentioned the state of Arunachal Pradesh and Chinese lack of recognition of that as being a part of India.

There've also been issues more recently on the river waters issues with Indian concern about some dam construction on the Chinese side of the River Brahmaputra, or at least what India calls the Brahmaputra. We've seen on the economic side, which many have still seen and continue to see as a potential source of convergence, cooperation, we've seen over the last three years trade actually having fallen from about \$70 billion to slightly less than that. We've seen investment not kind of take off from both Indian companies going into China, but also Chinese companies going into India.

Finally -- or not quite finally -- but just in terms of China's relationship with some other third countries, especially Pakistan, which I know Andrew will talk about. But we've also seen some concerns from India's part about China's increasing activities in India's neighborhood, particularly in some of its smaller neighbors, but also in the Indian Ocean area and China's potential interest in increasing its activity there.

China obviously has its own concerns about India, including the presence of the Dalai Lama there, as well as India's burgeoning relationships with the U.S. and Japan and some of China's neighbors. And then finally I think on the competitive side there's a lack of trust that persists and this is likely to come up again in the future.

MR. BUSH: Thank you very much, Tanvi, and thank you for setting up our next two panelists. To enlighten us about China's relationship with Pakistan, we're privileged to have Andrew Small from the German Marshall Fund, which is almost a stone's throw away, but we would never throw stones at you! Welcome.

MR. SMALL: Thank you. So just to say a couple of kind of broad points about the bilateral relationship between China and Pakistan, it's really quite an unusual relationship in Chinese foreign policy. And when you look across the board, it's the only country that could really be called a reliable friend of China over the last few decades. You have uniquely high levels of support across the Pakistani political spectrum and in Pakistani public opinion for the relationship. Of course, historically, the relationship is still being framed and driven by the two sides' rivalries with India and the uniquely close level of military and security cooperation that that has engendered between the two sides; epitomized, of course, by the support that Beijing extended to Pakistan's nuclear and ballistic missile program support, which in certain respects has continued to this day.

And despite all the changes in the regional relationships, ensuring that

Pakistan can still play a sort of capable balancing role in the region is still an important goal for Chinese policy. But overtime, the ambition in the relationship has been to transcend the purely security dynamics, particularly looking to deepen the economic component of the relationship. But that for a number of reasons has proved to be very difficult. A lot of the difficulties stem from kind of structural economic reasons and reasons of geography, but what Pakistan has at times been selling to China has been strategic economic geography. And a lot of the most ambitious plans that have been put together for economic corridors, connecting Xinjiang to Gwadar Port, were conceived before domestic militancy in Pakistan really took off. And in the last seven, eight years, the impact that that has had in particular on the viability of some of these projects, China's kind of trust in the future of the Pakistani economy and more practically just because it's meant that Chinese workers have become a target in Pakistan for the first time, by some measures Pakistan has been the most dangerous place to be a Chinese worker abroad. As a result many of these projects have stalled, but -- and this looking towards the big visit that's been coming up -- would have been taking place the following week. There was quite a lot of hope that some of these stalled initiatives would have some new legs under the two new governments, the Xi Jinping government and the Musharraf government. One of Xi Jinping's signature initiatives, the Silk Road Economic Belt, should have given a prominent role to Pakistan on a number of the associated infrastructure projects there. And I think Beijing has been more positive about the new government in Pakistan's capacity to deliver on some of these big economic projects. And so I think you'd say that there's probably been the highest level of optimism since about 2006 about the levels of new investment coming in from the Chinese side into the Pakistani economy, but -- and we'll get to this later, there's the visit issue.

Just to kind of round off on one more point, the other big issue that's

loomed large in the relationship over the last period of time has been militancy and terrorism. And that's not just been the situation in Pakistan, it's been the situation in Xinjiang proper. The group known as ETIM or TIP has been operating out of North Waziristan for a number of years. And while its capacity to actually launch operations in China is extremely questionable, it has at least a very active propaganda that's being conducted out of North Waziristan. And even before the terrorist attacks that escalated in China over the last year, Beijing had been pushing Pakistan to do more to crack down on the camps and things. And the joining together of what's been going on in Xinjiang and Beijing's concerns for what will happen in Afghanistan post-2014, there's been a lot of concern on China's part that it will return to being a safe haven for militants as it was in the 1990s under the Taliban, which meant that Afghanistan and the militancy issue more broadly has featured much more significantly in China's dealings with Pakistan over the last year or so than had been the case for some time. And on some important areas, despite the close friendship between the two countries, there are areas where they don't see entirely eye to eye.

MR. BUSH: Thank you very much, Andrew. India also has a number of smaller neighbors and to talk about that we're pleased to be joined by Nilanthi Samaranayake. Did I say that right? She is an analyst at the CNA Corporation in Alexandria. Welcome.

MS. SAMARANAYAKE: Thank you, Richard. I was asked to look at India's neighbors, the smaller countries of South Asia, and their relations and their activities with China.

So the first takeaway I would offer is the smaller countries of South Asia, they need capacity, they need infrastructure. We're used to hearing this commonly cited statistic from the World Bank and also the Asian Development Bank that South Asia, it's

among the least integrated regions in the world. And against that context, each of these smaller countries, they each have national development goals that they want to fulfill.

On the other hand, China is able to meet this demand signal. It is able to lend a lot of money, and it has a significant construction capability through its state-owned enterprises. So we've seen the emergence of port facilities, roads, highways, power plants, and even an airport. Meanwhile, though, the smaller South Asian leaders, they emphasize these activities with China for their commercial nature rather than any larger strategic significance.

Tourism is also another area of growing importance in Nepal, Bhutan, Sri Lanka, and Maldives, but ultimately these countries, they don't want to be in the position where they have to either pick or choose India or China. They want as much dispensed as possible from both countries. And, in fact, I think the leaders actually go out of their way to allay Indian concerns about their activities with China.

MR. BUSH: Thank you. And now the view from Beijing, which my good friend and Brookings colleague, Ken Lieberthal, will offer. Ken is a Senior Fellow here at Brookings in both the John L. Thornton China Center and our program in Global Economics and Development. Ken?

MR. LIEBERTHAL: Thank you, Richard. It's really a pleasure to be invited to participate in this panel.

I think in terms of what China wants in its relationship with India, the first point I'd make is it's interesting. China I think now takes India more seriously. It gives it a more important role in its foreign policy than we have seen in a long time. The kind of balancing seen as I would go to China and India say in the 1990s or in the first decade of this century was that in India, China loomed large, especially in security terms. And I sensed a kind of resentment that the Chinese didn't take India as nearly as big a problem

as the Indians took China to be. I think that that's now shifted, not in terms of being as big a problem, but in terms of just the importance that China assigns to its relationship with India.

And, in fact, I think China has two broad objectives -- this is obviously a simplification -- but fundamentally has two broad objectives in its relationship with India now. One is to expand substantially the economic relationship and the bilateral diplomatic relationship. On the economic side especially because the new Modi government sees Chinese-type development, East Asia-type development, as where India needs to go. And China understands how to do that. It's not the only country in East Asia that does, but it has been very successful. And so a willingness to increase learning from China on the Indian side, but on the Chinese side especially to invest in infrastructure, to invest in industrial parks, to increase its role in India's economy in a very substantial way.

And secondly, as China has looked to its east and southeast, it's increasingly run into tensions in its relationships. And I think it seeks among other things not only to increase its focus on its own southwest and west -- and you see that broadly in its foreign policy -- but also to create a situation where India is less likely to be drawn into the position siding with China's neighbors to its east, to China's east and southeast, in ways that are disadvantageous to China.

So in terms of what China is seeking to do specifically, as I mentioned increase bilateral economic ties; the Chinese are looking at industrial parks that they might invest in and help India develop, potentially I think one in Gujarat as a matter of fact among other places; build and/or upgrade the Indian rail system where China's experience in creating a modern rail system is really quite extraordinary; increase tourism and so forth, all of which I think fits into Modi's economic vision.

Secondly, China seeks to have India become an active participant in various multilateral groupings in which China's role is large and where China's trying to increase the dynamism and importance of those groupings and institutions. This includes clearly the BRICS Development Bank, the Asian Infrastructure Investment Bank effort. China is talking about several types of what I call Silk Road initiatives, three in particular, two of which it hopes to get very active Indian participation in. These are actually in many ways old ideas, but as in so many things with Xi Jinping, he's taking old ideas and really taking a level of initiative and devoting a level of resources to them that were not as evident in the Hu Jintao or even some of these back to the Jiang Zemin administrations.

So, specifically, he's encouraging India to be a very active participant in what's proposed to be a Bangladesh-China-India-Myanmar infrastructure and economic corridor, developing a variety of ways to link those countries together to enhance trade and business ties. Also a maritime Silk Road, so deemed, where I think India is a little more cautious because it involves among other things ports that China is building in Sri Lanka and elsewhere that give India some pause.

The Shanghai Cooperation Organization, which China is now playing a larger role in, I would argue more of a leadership role in than it has in the past, and wants to draw India more into that. Something that has been moribund up until this summer was called CICA, the Conference on Interaction and Confidence Building Measures in Asia where Xi Jinping famously made reference to the notion that Asians should take care of Asian security with the implication that the U.S. alliance system in the region should not play the role that it does.

He also is seeking -- Xi Jinping is also seeking to strengthen bilateral diplomacy with India to enhance cooperation on a variety of issues of multilateral consequence -- on climate change and coordinating their positions for the upcoming U.N.

meeting later this month, but then looking ahead to Paris in 2015; on encouraging India to adopt a position similar to China's on Western sanctions on Russia for Russia's actions in Ukraine and India has not supported sanctions against Russia and the Chinese recently have come out very, very strongly saying that they will oppose all such sanctions and effectively seek to undermine their impact on Russia.

So China is doing a variety of things, especially in these multilateral platforms -- I indicated the BRICS, the Asia Infrastructure Investment Bank, Silk Road initiatives and so forth -- where it wants India to play a more active role, but I think India is genuinely concerned among other things about the degree to which this is signing onto platforms where China really has the lead on the platforms. All of those platforms are notable for the U.S. not being a participant in any of them, and so it's part of a broader effort by China to pump up additional multilateral institutions and initiatives that are not dominated by the United States and its western allies.

This fits in with China's concerns that India -- I'm sure China doesn't think it can prevent India from enhancing its relationship with Japan -- Modi has a very close relationship with Japanese Prime Minister Abe -- or improving its relationship with ASEAN and so forth, but it wants to not see India see that as its only real set of opportunities in the region, but rather see China as a major opportunity and not too much neglect on China's concerns about Japan, about what China sees as increasing efforts of U.S. containment strategy toward China where India could play a significant potential balancing role to China in South Asia, about what Abe has been promoting or kind of an alignment of democracies in Asia to limit some of China's initiatives in the region.

As Tanvi neatly stated -- and I've taken enough time already -- there are a lot of complications in this relationship. So China I think wants to improve the relationship bilaterally, wants to involve India more multilaterally for a lot of reasons. I

think that this will be something that may succeed more on the bilateral economic side than we are likely to see in most of the other areas that have been indicated.

But let me leave it at that and we can pick some of those in Q&A if you wish.

MR. BUSH: Thank you very much to each of you. We're now going to do a round of questions about the implications of all of this for U.S-India relations, and we'll go in the same order. So, Tanvi, what does China's relationship with India mean for India's relationship with the United States?

MS. MADAN: Thanks, Richard. I think it depends on how it clears out and how it plays out. One of the things I think that we're going to see next week when President Xi Jinping visits India, no doubt with a number of economic sweeteners, is how the two leaders themselves, Xi on the Chinese side and Indian Prime Minister Modi deal with each other on a personal basis. Significantly these are both leaders. Prime Minister Modi, having been the first Indian Prime Minister who was born after Indian independence in 1947 and Xi Jinping being the first Chinese leader born after 1949 when the People's Republic of China was formed. They have met before. China is a country that Mr. Modi visited as Chief Minister. He has talked about China extensively, both when he was Chief Minister, but also as a candidate and not always necessarily in a positive light, but emphasizing both cooperation and competition.

We will also see next week how far President Xi Jinping will go in terms of assuaging some of the concerns that Ken talked about and that others have talked about as well. I think one of the things that we've seen already is there's been a fairly positive response from China since Mr. Modi has come to power. And something we saw since last year that we've particularly seen this summer is to take care of that first concern that Ken outlined, which is the sense that not only was India very far away from

China and low down on the priority list, but there was a sense in India that China didn't take India seriously and that actually had implications for the relationship. So this emphasis that not only last year when the Chinese Premiere's first visit abroad was to India, but also President Xi Jinping's visit emphasizing that India is an important country for China. So trying to take that out and whether or not that will move the relationship along with the economic package that Mr. Xi Jinping takes to India is something that we will watch for.

One of the things to keep in mind about how this relationship plays out will also be how Mr. Modi deals with kind of having to balance these cooperative and competitive elements in the relationship. One of the issues we've seen, and we've seen this play out with India's relationship with Pakistan, is that Mr. Modi thinks in terms of reaching out. But we've also seen red lines being laid out much more clearly than perhaps they have before. And we've seen this in terms with Pakistan, in terms of visits, for example, for the Pakistani envoy in India, dealing with separatist leaders and how that kind of jettisoned a potential for Foreign Secretary-level talks with Pakistan.

On the Chinese side, I think much will depend on how far this relationship goes in the political and economic side, also in terms of how over the next few months and not just with the visit, whether India sees China as crossing any of those red lines. And if they're not crossed, then I do think -- and potentially China actually moves to solve some of those issues between the two countries -- we might actually see a more positive China-India relationship than expected.

What does this mean for the U.S., for the India-U.S. relationship, and potentially for China, India, and the U.S. together? I think Mr. Modi has talked about having a strong and sensitive face as well as a proactive face in terms of this relationship. And what we have seen along with this being proactive is it is also involving partnerships

with a number of countries. So one of the things that has been talked about is not necessarily maintaining just a relationship with the U.S., but for India having good relationships with China benefits its broader set of relationships, gives it options in terms of economic investments, but also offers a certain strategic balance in terms of its diversified portfolio of partnerships.

One of the things India does not want to see is it being asked to make a choice by the U.S. between its relationships between China and the U.S. Defense Secretary Hagel when he was in India recently emphasized that the U.S. is not asking for India to make that choice, but a good India-China relationship might actually be good for stability in the region and might actually help shape the rise of China in a more positive direction.

India also doesn't want to see a very close China-U.S. relationship. It worries about the G-2. But on the other hand, we have also seen India question whether the U.S. potentially, which it thinks is an offshore balancer, will be there for India if India does have problems with China in the long term.

So this is something -- I mean these are various dynamics playing out. And I think what you'll see is if the China-India relationship plays out in a positive direction, it will be seen positively. If it gets too close, I think there will be concern. But I think overall not just seeing it in terms of India's relationship with China, but what we will talk about or what the panelists will talk about in the next panel, which is the broader set of relationships that India is developing with Japan, with other Southeast Asian countries, with Australia, that this is not necessarily a bad thing. If, on the other hand, things go a bit awry, if you do start seeing tension between China and India, I think that's actually something the U.S. would potentially need to worry about.

Having said that, even though India sees the U.S. both as an offshore

balancer in Asia and also sees it as a potential problem in its relationship with China, it also does see China, India, and the U.S. having certain things in common. And I'll just mention a few before turning it back to you, Richard, which is one of the areas where there is potential for the three countries to actually agree and there are bilateral discussions between India and the U.S. and India and China, and this is Afghanistan. Another is energy security. The Middle East and the chaos there is something that all three countries are concerned about. Anti-piracy issues and finally climate change. And a number of these issues will come up in the meetings next week and so I think we'll wait and watch in terms of how these things develop.

MR. BUSH: Andrew, what are the implications of China's legacy relationship with Pakistan for U.S.-India relations? And if you want to speak to President Xi Jinping's cancellation of his visit to Pakistan, that would be good too.

MR. SMALL: So for the U.S., I think the China-Pakistan relationship has at times functioned as an asset and at times functioned as a problem. Pakistan was, of course, the bridge for the secret communications between Mao and Nixon. It was one of the closest, one of the main parties to the closest period of security cooperation between Beijing and Washington during the 1980s in Afghanistan. But particularly through the 1990s when Chinese transfers of ballistic missiles and sensitive technologies became a source of tension between China and the U.S., the relationship almost kind of took on a slight quality of a sort of rogue state relationship.

All that's changed since the 1990s is first of all that China and the U.S. have at least started to see eye to eye on a couple of important points. First is avoiding the risk of war in South Asia and I think China's played a relatively helpful behind-the-scenes role in Kargil-Twin Peaks crisis and Mumbai.

Secondly, and this has been a bit slower in coming on China's part,

China has been the question of addressing the risks of instability in Pakistan itself as well as militancy in the wider region. I think China's efforts to help, to provide investment and support to the Pakistani economy, to start using some of its influence in Pakistan on questions of militancy in the region, and more broadly the kind of expanded diplomatic role that China's taken on vis-à-vis Afghanistan and particularly over the last year, have all been relatively constructive. And I think you've seen a shift in the quality of the U.S.-China conversation about Pakistan quite notably. There was one former U.S. ambassador to China who said that Pakistan was still the one country that the two sides couldn't talk about effectively in the bilateral relationship. That was a few years ago, and I think the moves since then have been quite notable and have primarily reflected, primarily been a function of China's concerns about the impact of 2014 and some of the militancy issues in Pakistan itself.

And just one more point on the U.S. issue. There are points where there has been a huge amount of speculation about China rushing in to kind of backfill or take advantage of situations in which U.S.-Pakistan relations have kind of been going wrong. Just to take one good example in the aftermath of the Bin Laden killing, I was spending quite a bit of time between Islamabad and Beijing. While all of this press speculation was going on, the Chinese made a very clear point of briefing U.S. officials in both countries about exactly the limits of what level of support they were prepared to give Pakistan on the issue and briefing them accurately in terms of what subsequently transpired. And I think the limits and parameters of the relationship I think are well understood on the part of U.S. officials.

Just finally on the sort of cancellation or postponement of the Xi Jinping visit, it's clearly I think embarrassing for Pakistan that it's happened. I think it's the first time in decades that you've had a presidential visit from the Chinese side to the region

that hasn't had the two countries paired together. In some ways it's Pakistan that benefits most from the India-Pakistan bracketing when China does these bilateral visits. Of course, on China's part there have been various motivations and not to get embroiled in the domestic politics on the Pakistani side. And I think some of the security issues were actually not, that were raised in the Pakistani press, were not unrealistic. Chinese ambassadors in Pakistan have a point featured on the top of Taliban hit lists and I think there will have been a certain amount of concern on China's part about the scandal and major presidential visit during everything that was going on.

Of course, though, over the longer term China is used to the domestic turbulence in Pakistan, and it has good relations with virtually everybody apart from the Pakistani Taliban. Imran Khan and Qadri made sort of supportive statements around the visit and, of course, the crucial elements of the relationship are ultimately conducted through the Pakistani military anyway. So in one way it's comfortable in handling these sorts of periods of crisis.

The problem, though, is China had actually been -- China's been wanting to put in significant levels of additional investment in Pakistan for some while now. It wants to have a capable government in Pakistan that can deliver on a number of these projects at quite a lot more hope in a Musharraf government than the Sattar government. And whatever the final sums of money are, I mean these sort of \$34 billion figures that have been touted, even if it's half that, it's still a significant increase on the level of investment that China would have been putting into Pakistan before. And although a number of these projects will still be realized in Pakistan -- a number of them are already underway -- it does mean I think on some of the grander projects that you'll get more -- the tilt towards kind of wait and see on China's part I think will be accentuated by the recent developments and the cancellation of the visit I think symbolizes that; and given

the situation for Pakistani economy at the moment, that's really not very helpful.

MR. BUSH: All right, Nilanthi, talk a little bit about the implications for U.S.-India relations of China's overtures to India's smaller neighbors. And if you want to talk about Xi Jinping's stop in Sri Lanka, that would be good too.

MS. SAMARANAYAKE: Sure. In terms of implications for India, I think in terms of India's political military standing, it's still comfortably the dominant power in the region. But in the commercial realm, I do think India could try to be more responsive, especially in the context of China appearing to do it so well. So in terms of infrastructure, India should try to bolster its own capability to lend large sums of money or provide grants and carry out major construction projects and also complete them within the timeframes that Indian companies have committed to. And I think we've seen the Indian government actually starting to take some steps to address this by setting up the Development Partnership Administration in 2012, trying to streamline some of the processes that have resulted in delays and make these projects more efficient. I think also offering the billion dollar credit lines to Bangladesh and most recently to Nepal during Modi's visit and also the loan to Bangladesh, I think India is really starting to craft a strategy here of their own in meeting the infrastructure needs of those smaller countries of South Asia.

In terms of previewing -- oh, sorry. About the U.S. implications, I mean the U.S. really isn't in the business of conducting or executing these major infrastructure projects anymore. So I think it's pretty much going to monitor China's activities in this realm. And I think the U.S. would support increased connectivity within the region just given the fact it is not as integrated as it could be. U.S. officials have started talking about the emergence of an Indo-Pacific economic corridor, so I think the U.S. would support those kinds of infrastructure activities.

To preview Xi Jinping's visit to Sri Lanka, the two leaders are expected to sign a wide-ranging free trade agreement and also to sign some MOUs on technical cooperation, particularly regarding a Chinese-funded and Chinese-built power plant. So I think this visit is very important both at the commercial and at the diplomatic level because this is really the first time that China's top leader has ever visited Sri Lanka. A Chinese president visited in 1986, but it wasn't Deng Xiaoping. So this is really an unprecedented visit and I think Sri Lanka is quite excited to welcome Xi Jinping. But also I think a larger context is that this is part of a trip to India for Xi Jinping, and Sri Lanka is one of the stops and today Maldives has been added to the itinerary as well. That would be the first ever time a Chinese president has also visited Maldives.

So I think that's the broader context, but also I think in terms of China-Sri Lanka bilateral relations, we saw China vote against the U.N. Human Rights Commission resolution on Sri Lanka in March. So I think in terms of the commercial aspects and the diplomatic aspects, this is a good time in China-Sri Lanka relations and should be a good photo op for the leaders.

MR. BUSH: Ken, how does China's relationship with India interact with its U.S. policy and what are the implications of all of this?

MR. LIEBERTHAL: How does it interact with China's U.S. policy?

MR. BUSH: Yes.

MR. LIEBERTHAL: Oh, I thought you were going to ask about U.S. policy toward India.

MR. BUSH: Well, you can talk about that too.

MR. LIEBERTHAL: No, well, that's all right. I think that China's efforts regarding India, as I tried to kind of tee up in my opening comments, are in part a part of a broader effort to reduce its focus on East and Southeast Asia and to shift more toward

looking to South Asia and to its west more broadly where it sees it can play a larger role, where increasingly its resources come from, especially energy, which is absolutely crucial for it. It isn't to turn off one and focus only on the other, but it is to develop more space and take more initiative where it feels it can have more success and a little less pushback and to I think also show -- Xi Jinping wants to demonstrate that he can take initiatives, develop new opportunities, and that China need not simply follow the U.S. lead on how the world should run. And so I think this is all part of that kind of effort as is his determination from the first days in office to improve very substantially China's relations with Russia and to line up with Russia politically on a very broad array of issues.

I think some of the implications of this for U.S. policy are that the U.S. I think needs along with China to keep in mind that the more you see India as a kind of cat's paw in contention with each other, the less successful you'll be with India, that India really reacts negatively to being seen as kind of the second half of a hyphen, and it has its own balance wheel. It's shown that throughout its history. And if you try to push it far from what its internal sensitivities and goals are, you don't get very far. And I say that in part because I see some in the U.S. policymaking sphere to be very sensitive to that and understand it very well, while others have views that are to my mind just wrongheaded in terms of what they think it is possible to do with India in terms of U.S.-India, U.S.-China, and China-India.

And on the Chinese side, I think there's also some risk that Xi Jinping can overplay the amount that he can get done with India and what its broader significance is, not fully recognizing again what I just said about India. It's got its own balance wheel and is quite sensitive to being pushed too hard.

I'll make one final -- and let me say I agree with everything that Tanvi said and she really teed up a lot of this and I don't want to repeat it, but I think she was

right on the mark with a lot of her comments.

One last comment I would make is I think as we look to the future, to my mind the big sleeper issue that Andrew began to explore is the role of terrorism and instability in the Afghan-Iraq, stretching all the way to Syria, space potentially impacting in a significant way on the Gulf and Saudi Arabia. And I think that that can end up for China playing a much larger role than people generally take account of when they think about Chinese foreign policy and what its priorities are and that kind of thing -- a huge sleeper issue; and I think the domestic terrorism issue in China is much more severe than is generally given attention abroad. I think the top leadership in China is acutely aware of that, but their approach is one that may kill a lot of terrorists, but increase the problem.

MR. BUSH: Before I turn to the audience, have any of the panelists been stimulated by anything, something that their colleagues have said that they would like to respond to right away?

MS. MADAN: Just briefly on something Ken said. I mean it was interesting because I think there's an understanding -- there's a delicate dance being played between China and India and the U.S. And you see recognition in both Beijing and to a much greater degree in Washington because Washington has had to deal with these Indian concerns for a while about not trying to get or saying very explicitly we're not looking for an ally. We're not trying to get you to choose. But it was also interesting because there's a flip side to this, which is it was interesting in Defense Secretary Hagel's speech in Delhi recently. He was trying to show -- it was clear he was trying to show recognition of Indian concerns about the U.S. pushing for an alliance, saying we're not asking you to choose between your relationships with China and the U.S., just like we can maintain separate relationships -- good relations with China, good relations with you. And it was interesting to see some in the Indian media reacted to this in the opposite

way, which was look, the U.S. is prioritizing its relationship with China and saying it's going to keep its separate relationship, so that means India will have to look out for itself. So that concern about reliability is kind of the flip side of we don't want you to love us too much, but we want you to love us just enough.

MR. BUSH: Anyone else?

MR. SMALL: Just one brief additional -- oh, sorry.

MR. LIEBERTHAL: What I was going to say is just that they want to be sure that what the U.S. says you can count on it for, you can count on it for.

MR. SMALL: It was just one kind of finesse on Ken's point from before. I mean I think there is a quality to after the move from terrorism from being a sort of Xijiang issue to being an all-of-China issue and the point after the Tiananmen attack the previous October, Kunming, I think there is a degree to which people have been used to dealing with this as if it's a point of continuity from the nineties and what's gone on there. And I think it's now a qualitatively different issue that is already translating in some of China's bilateral relations in the region very differently and that translates for India. It translates for Pakistan. It translates for Afghanistan. And I think it's already starting to -- and, again, whether it is accurate to say that some of these attacks are being motivated or driven from outside the region as opposed to this being an internal question is an entirely separate discussion from the way that China will actually be conducting its diplomacy and setting its priorities in terms of its dealing with some of these countries. And I think we're already starting to see the impact of that.

MR. BUSH: Thank you, Andrew. We now have about 25 minutes for your questions. My guidelines are: Wait till I recognize you, wait for the mic, identify yourself and the person to whom you want to pose the question. Who has the first question? Garrett Mitchell up here in front; the mic's coming.

QUESTIONER: Thanks very much. I'm Garrett Mitchell and I write The Mitchell Report. I want to ask Tanvi if she could expand a little bit on what seemed like an important point in the India-China relationship and maybe give us some specifics. When you talked about the existence and importance of the red lines that exist between these two countries, can you elaborate on what those are and as a consequence, who needs to be careful and what the implications are?

MS. MADAN: I think the most obvious red line perhaps for India is the border issue. I think we're going to -- and there are certain things with Pakistan as well, how far that relationship is taken. I think what we're waiting to see in terms of this government, which we still haven't seen -- I mean we haven't seen explicitly -- and these are not likely to be very explicit red lines necessarily that are visible to the public, but what are the understandings going to be in terms of Chinese behavior? I suspect for China some of the maybe not red lines, but pink ones, will be related to Tibet and especially the Dalai Lama.

And the question in terms of the new Indian government, and we still haven't seen how this is going to play out, which is yes, we've heard and we've seen to a certain extent this idea that India is not going to be a pushover. India is going to speak from a position of strength. It is something the Foreign Minister at least rhetorically emphasized over and over again yesterday when she was kind of doing a review of the hundred days, pointing out instances and not just with Pakistan and potentially China, but with the U.S. and others as well that India is not going to act from -- it's not going to be on the back foot, that it's going to be assertive not in an aggressive sort of way, but make very clear that it has certain things and whether it's the border issue, potentially something that has been repeated again and again, that the economic relationship needs to be more balanced. There's a fairly large deficit between India and China on the

economic side. There have been reports of China, for example, now promising financing of hundreds of billions of dollars. We don't know if that's accurate. Yes, we've just seen reports. But even in terms of that, what we haven't seen yet and we might see it next week is India wants, for example, the China-India economic relationship to grow. The deficit, for example, of the \$65, \$67 billion – that's a \$40 billion deficit in China's favor and against India's, which is that Mr. Modi has emphasized in his bilateral with Xi Jinping on the sidelines of the BRICS Summit and has repeatedly said he will do so again, this is of major concern for India; that it cannot have the relationship, the economic relationship, expand and have it only be in China's favor. So I think you will see China actually try to be proactive on that front.

I think briefly just on the kind of border issue for India at least, and I don't know if Ken has something to say about Chinese red lines. You saw again the Foreign Minister mention one very explicitly, not so much a red line, but where they would like to see movement from Beijing as kind of a recognition of the state of Arunachal Pradesh as a part of India and explicitly said listen -- because she was asked to clarify what she meant by India's one China policy -- that India recognizes Tibet and Taiwan as a part of China and China should reciprocate.

Now, what we haven't seen with this new government is what it does and what it might do when these maybe not red lines, but if you want to call them concerns, are not managed or maintained or mitigated. We haven't seen that yet and we haven't seen kind of even a major border crisis or a kind of media explosion in India against China that this government has to deal with. So that's something we still have to watch and see.

QUESTIONER: My question is for Ken Lieberthal. You mentioned almost in passing that on the Chinese side now in the last 18 months or so there have

been policy pronouncements, which have sought to if you like exclude or diminish the American security role in Asia as a whole. I wonder if you could elaborate a little bit more on that because so far most of the discussion has been on how the United States has to balance its relationship with China for all sorts of reasons and also why local states, resident states, in Asia don't want to be put in a position where they have to choose. So what is the thinking if you like, or how far do the Chinese leaders want to pursue this path, which they have articulated? They've linked it also with new ideas about Silk Roads and so on. How far first of all do you think the Chinese really want to if you like have a bilateral relationship with America, but at the same time reduce America's imprint in Asia? And the other is what do you think the impact of that is going to be on China's relations with India and some of the other neighbors?

MR. BUSH: Ken?

MR. LIEBERTHAL: That's a very big set of issues. Let me boil down a lot to a couple of kind of broad comments, and I'd be happy to follow up on details if you wish.

I don't think China wants to try to exclude America from Asia. I mean that's not an achievable goal and it's a stupid goal given China's own interests. So I don't -- if I said anything that would leave that impression, I wasn't sufficiently nuanced in what I said. But I do think that China now feels that Asia is an area where it has to be its sensibilities, its security concerns, its ambitions need to be fully respected. It doesn't mean 100 percent realized, but taken very seriously. And that where it has had longstanding concerns that it has voiced repeatedly, they now need to really be taken much more seriously. I'll give you a very recent concrete example, and that is on this incident with an American surveillance plane clearly in international waters, but within China's exclusive economic zone, where a Chinese plane went up and intercepted it and

did so in a way that in our view was unprofessional, which is to say that it was so close and in a sense unpredictable in its moves that it ran too high a risk of a collision. And we all know what happened back in 2001 when that occurred and it was dramatic. It had a very serious impact.

Now, the American view on that was let's be very clear between the two of us. Not only do you have a right to send up a plane, you obviously do, but on the importance of following agreed-upon rules of engagement so that we do not have an accident that creates a crisis.

The Chinese view was the plane shouldn't have been there in the first place, the surveillance plane. We talked about that repeatedly, and you haven't reduced your abuse of our airspace and your encroachment on our security interests. Legally what you're doing is defensible in international law, but the reality is it is offensive to our security interests and we are going to respond. And if there's an accident, it is your fault because you shouldn't have been there in the first place. So reduce the incidence of your surveillance efforts, leading to eventually not carrying them out in "our space" at all.

That's a fairly dramatic pushback, and it was not that the Chinese felt that the U.S. somehow rather had misreported the incident or had engaged in some aerial maneuvers or something to increase it. After a few days of hesitation, they effectively said the problem's all yours and your problem is that we don't want you out there in the first place even though you were outside of our territorial waters. That's a serious kind of concern.

When Xi Jinping went to South Korea, China's relations with South Korea were very, very good. But it was a visit that in many ways went very badly because he made clear in the South Korean view that the real goal here was to move the South Koreans away from their alliance with the United States, a step much too far, a

misjudgment. We hear repeatedly, and I hear it when I talk to diplomats from around the region, everyone does, that the Chinese are making the argument around the region that the U.S. after all is the past and we are the future. So you need to kind of understand where your interests are here. And so what is said in terms of formal pronouncements is obviously more diplomatic typically, but what is being actually said in official and nonofficial discussions around the region is really pushing fairly hard. And I think that that's a real problem and the U.S. needs to handle it adeptly, but does need to work on this issue.

MR. BUSH: Back on this side, the gentleman in the beard, right there.

QUESTIONER: Thank you. My question is about the BRICS Bank and what you --

MR. BUSH: Can you identify yourself?

QUESTIONER: Oh, oh. My name is Cap Sharma. I'm just curious about the BRICS Bank. There's no discussion about that and what do you think the objectives are for both India and China with regard to the Bank and what they're going to try to achieve with the use of capital through the BRICS Bank?

MR. BUSH: Who wants to take that?

MS. MADAN: It's interesting. If you're interested in more detail and I'll talk about it briefly. We had an event a few weeks ago. I can't remember -- Ken might remember when. It was particularly focusing on the BRICS and this was more of a preview, but it did discuss the Bank and what it might mean.

I think for India and in China as well in some ways it offers an alternative, the BRICS Bank. It's not from the Indian perspective a replacement in any way for the World Bank. It is an alternative, a supplement. There were concerns in India after the announcement, an alternative in the sense of having perhaps different conditionality, one

country, one vote. There was some concern in India and still is that this Bank will essentially end up being dominated by China. And so you see both kind of sides of India's relationship with China, both seeing it as a potential partner in terms of creating space for India globally, but also that concern that any such association will end up being dominated by China and not in a way that will benefit India. And this goes to something that Ken was just talking about, which is what country like India or any of those partners from the flip side of that equation see in terms of this Chinese vision of Asia. And India is very much not onboard with that vision of Asia. And this is where the U.S. does come in and India sees it and wants it to be very much part of the Asia-Pacific to maintain that role, perhaps to increase it. It not just helps India in terms of its -- and people don't like to use the word, balancing -- but as an offshore balancer, as a country that's involved. But India also sees this relationship, the presence the U.S. is giving it, leverage with China and it does not like the vision that it sees of China. India doesn't have direct stakes, for example, on issues like the ADIZ, et cetera, but it sees it as a broader pattern of kind of forming the kind of Asia with a dominant China that it does not like. And you saw the Prime Minister in Japan, and our next panel will probably talk about it in detail, talk about -- he did not mention China specifically -- but talk about how the Asia that India would like to see in the future is one that focuses -- and he said this all in Hindi so this is a paraphrase -- not on expansionism, but on -- and this is a crude translation -- developmentalism. He specifically said I look in all four corners and I see countries that are encroaching on others' lands and seas and this is not a good thing, and he called it 18th century behavior. They've denied -- the Indian Foreign Minister denied that this was China that he was talking about, but it is something I think connected with the BRICS Bank, this border discussion that India has concerns about.

MR. LIEBERTHAL: I just had three points. One the earlier event at

Brookings that we had was in July and it was in anticipation of the upcoming BRICS Summit.

Secondly, the BRICS Bank is I think at this point seen as primarily tasked with investing in infrastructure development in the BRICS countries. And the big concern with everyone, but China, was China took the lead on this and the question was whether this would enhance China's degree of initiative in development issues within the BRICS countries.

Third point is the Asian Infrastructure Investment Bank that has been proposed is essentially the same thing. Again, it isn't to replace the Asia Development Bank, but it's at China's initiative. The countries certainly need the additional infrastructure funds. China has a lot of experience in this. But there is a concern that this is another vehicle for it to set up a multilateral institution that, in fact, China will dominate. So this, again, is not a get rid of or compete directly with the institutions that currently exist. It complements and supplements them. But there is concern in each case that while it brings money where money needs to flow, it's money that will have more than the desired level of sensitivity to Chinese priorities and Chinese approaches on conditionality and so forth.

MR. BUSH: In the back, way in the back. Go ahead.

QUESTIONER: Thank you. (inaudible) with China News Agency of Hong Kong. Today in Beijing the Minister of Foreign Affairs of China, Mr. Chung Wan Ping said China is not trying to contain India. We often hear that the Chinese are complaining that the U.S. is trying to contain China, but I don't understand where India's concern is coming from. Is there any possibility or capability for China to contain India? Thank you.

MR. LIEBERTHAL: It's not clear why China would want to contain India.

What's to contain?

MS. MADAN: Andrew might have more to say on this partly because it is connected to China's relationship with Pakistan. There is a certain -- I mean these are countries after all that have fought a war in 1962. And there is concern and has been for years in India -- and I think this is connected to that point about it's the flip side of not taking India seriously -- but trying to keep preventing them from rising. So not containment necessarily in decreasing kind of India's capabilities necessarily, but in terms of keeping it held down in South Asia, bogged down in South Asia, so it doesn't end up being potentially a threat to China on its kind of southwestern side. And so I think that's kind of the containment that is thought about. I mean you do hear -- you've heard and Nilanthi could actually probably talk a little bit about String of Pearls, which was this theory that you started hearing and seeing a lot. In between it was an idea that actually came out of here, but it was taken up by the Indian press especially in terms of China's activities in various not just in Pakistan but around kind of circling India's not just land neighbors but also its Indian Ocean neighbors. So that was kind of the larger context. And I don't know if Andrew and Nilanthi have things to add?

MR. SMALL: I mean Pakistan is clearly one of the manifestations of it as seen from the Indian side, and I would agree completely with Tanvi's sense of what that conception is. The sense of keeping India tied down in the region, keeping India bracketed with Pakistan rather than being able to play an enlarged role particularly as Ken was noting in terms of if one takes India more seriously on the Chinese side as a power with greater capabilities to operate in areas that have traditionally been seen as China's areas of interest, then the advantage to being able to retain some options to keep India pegged back in certain respects is still something that I would see as present in Chinese policy. And what that actually amounts to is a separate question because

clearly China's not actually providing direct support to the elements of Pakistani policy that India is at least comfortable with. But if you look at some sort of tangible aspects, of course, Pakistan being able to conduct certain operations under a nuclear umbrella is something that one could say is ultimately being tied back to Chinese support to Pakistan's nuclear program. China's protection points at the U.N. Security Council of certain members as something we could see as following a single nature. There have, of course, been shipments of arms that have turned up in Northeastern India from the Chinese side in volumes that were too large to be something that one could just pin down to a couple of rogue actors in the PLA.

There are few different aspects in which -- therefore, I think these concerns on India's part translate in quite concrete terms as well, even if the fundamentals of China, for instance, providing comprehensive backing to Pakistan in say over Mumbai or during the Kargil crisis or any of the actual live scenarios is a different question where China has been much more restrained and has played much more of a role in trying to tamp down tensions.

MS. SAMARANAYAKE: Yeah, I think this String of Pearls notion, it certainly has served to extend the threat perceptions of India not just with Pakistan, but with regard to the other countries, the smaller countries of South Asia. So Gwadar was often considered the first pearl and as part of a larger string in Sri Lanka, Maldives, Myanmar, Bangladesh, as strategically encircling India. I think the thinking was not so much to keep India down in terms of its development, but in terms of a military strategic sense of just encircling India as opposed to just having the thorn in India's side coming from Pakistan. But I think this thinking doesn't accord enough attention to the foreign policy calculus of the smaller countries of South Asia, which are quite reluctant to antagonize India regarding their activities with China. They often walk a very careful line

in them and consult with New Delhi on a regular basis.

MR. BUSH: I think we've come to the end of our time for this panel and I should yield the chair to my colleague, Tom Wright. Before I do, please join me thanking our panelists for their outstanding presentations.

MR. WRIGHT: My name is Tom Wright. I'm a fellow here at the Brookings Institution, at the Project for International Order and Strategy. I'm delighted to welcome everyone here to the second panel of this event, which is on "India's 'Act East Policy and the U.S. Rebalance. I'd like to thank Tanvi for inviting me to chair the discussion here today.

What we propose to do is I'll ask a question of each of the panelist, we'll have a conversation for about 45 minutes or so, and then we'll throw it open to the audience for conversation and questions and answers.

So we have four terrific panelists here.

The first panelist is Joseph Liow, who is new to here at Brookings. It's the inaugural holder of the Lee Kuan Yew Chair in Southeast Asia Studies, and is a senior fellow here at Brookings for the East Asia Policy Study Center.

And we have Nicholas Hamisevicz -- did I get that right?

Mr. HAMISEVICZ: Hamisevicz.

MR. WRIGHT: Hamisevicz -- sorry -- who is the director of research and academic affairs at the Korea Economic Institute of America.

Dhruva Jaishankar, who is a Transatlantic Fellow with the Asia Program of the German Marshall Fund here in Washington, D.C.

And Evan Feigenbaum, who is the vice chairman of the Paulson Institute in Chicago, and a non-resident senior associate in the Asia Program at the Carnegie Endowment for International Peace.

And so, Joseph, if we could begin with you, if that's okay -- and, really, my question is just how is India's role that was discussed in the first panel, how is that seen in terms of the broader regional security order and forms?

MR. LIOW: I think India plays a very important role as far as Southeast Asia is concerned. Ever since the announcement of the Look East Policy in the early 1990s, it was a policy that was initially cautiously received by the region. And subsequently, you could say, welcomed and embraced on the notion that India has the potential of becoming a very important stakeholder in the then-evolving security dynamics in the region.

But, having said that, I think it is also fair to say that there has been a fair bit of frustration, as well, on the part of Southeast Asian states -- namely, that India hasn't quite embraced its role. The potential that everyone talked about -- and, you know, I could go down the list of the figures, the combined population, 1.8 billion people, trade figures, India-Southeast Asia, somewhere in the region of \$80 billion. But that never really translated to a significant role for India. And so there was this sense of frustration.

And so when we look at what is taking place today with the new prime minister, Modi, and his interest, renewed interest in the region, the thing that weighs heavily on the minds of Southeast Asian leaders will be to what extent are we looking at a substantial improvement in concrete terms, or is this just a further extension of what was essentially rhetoric, with less substance, that was expected.

So I think that would be the critical issue for the region. I think Prime Minister Modi has said all the right things up to this point. I think you also note that certain Southeast Asian leaders, including the prime minister of Singapore, who recently

spoke publicly about India, and India's role, welcoming a greater role -- hopeful that India will seize the moment.

And I think an interesting test case, an interesting litmus test, would be in the coming months, whereas ASEAN gears up for its whole series of annual meetings at the end of the year, in Nay Pyi Taw in Myanmar, everyone will be looking for what India will be prepared to bring to the table. So I think all eyes are really on that.

MR. WRIGHT: Great. Thank you.

Nicholas, if we could turn to you next -- there haven't been any high level visits yet announced or taking place between India and South Korea since Modi took office. But how does this look from Seoul? What is Seoul's view of, you know, India's role in East Asian security? About the opportunities that are there between those two countries? And any sort of challenges that might be there?

MR. HAMISEVICZ: Sure. I think, in general, India is seen more in the role of the larger Asia and the larger global context when Korean policy-makers and officials are thinking about India. Usually you've got the four levels: You've got the inner-Korea level, North-South Korea relations. Then you kind of have the Northeast Asia level, the U.S. is in that realm. And then you have the larger Asia, and so that's kind of where India comes into play, and then also kind of carries over into the larger global picture.

India has to, in some ways, compete in this larger Asia level with other countries that South Korea policy-makers are thinking about, like Australia, like Vietnam, like Indonesia. So it's not just, oh, well, India's the first choice, when we're thinking about -- when we, the Koreans, are thinking about the larger Asia picture, but it's in that realm.

No high-level visits, like you said, since Modi, but the good news is that the Koreans and Indians had a meeting at the vice-minister level in late August. And this is a way that the South Koreans and Indians have been meeting on foreign policy and security issues, at this vice-ministry level. And that's one of the ways they've been kind of geared up toward these larger visits. So I think that meeting will help try and find the time for the foreign ministers to meet, which they've been able to do the past couple years. And that's a good thing.

Park Geun-hye herself has said the right things about India when she's been asked about it. She kind of had that -- she mentioned India in her foreign policy outlook during her campaign at the beginning. She was able to make it to India in January of this year. Granted, that was under Prime Minister Singh, but so she's been there at least. And she also initiated a call with Prime Minister Modi after his election, congratulating him, and then also inviting him to South Korea whenever it was convenient for him to do.

So there is a sense of India, and there is a desire to kind of keep building this relationship that has started to kind of slowly build. But it still needs a lot of work, especially on the politics and security side.

MR. WRIGHT: Thanks. If I could just ask a quick follow-up of you -- is there any discussion at all of India's policy toward Japan in the Korean discussion? Or do any of the difficulties between Seoul and Tokyo sort of factor in how they would look at India?

MR. HAMISEVICZ: Sure. It's going to especially come up on the econ side, where you have a lot of export compatibility with Japan. So, both Korea and Japan are doing a lot of the same things in India, so that's going to be a key factor when

Koreans are thinking about India and how their companies are dealing with India, how they compare with the Japanese companies that are investing and working in India. So that's part of it.

It's still to be seen, kind of, how the political side of things will react to Prime Minister Modi's visit to Japan, and all the big press and the big connections that Prime Minister Modi and Prime Minister Abe have. So I think that's going to be something to watch on the political side of things, is how they gauge this relationship that's going to be a big one for India, and a big connection, and where South Korea can kind of find their niche when they're talking politics and security, and even economics, with India.

MR. WRIGHT: Great. Thank you.

Dhruva, if you could talk to us a little bit about where this all fits in Modi's sort of strategy and world view. I mean, how does Japan, South Korea, Southeast Asia really factor in here, and what's sort of the medium- to long-term, you know, strategy that he's pursuing?

MR. JAISHANKAR: Thank you, Tom. And thank you to Brookings for having me here.

I want to preface what I say with what might seem a slightly flippant remark, which is I would argue -- similar to what Joseph said, but sort of a twist on it -- India has never really had a "Look East Policy," in the sense that it isn't a policy in the cosmic sense. It isn't a roadmap, it isn't a set of -- it doesn't lay out a set of practices, in terms of how India is going to approach the region.

What "Look East" was was two things. One is, it was a recognition on the part of India that East Asia, both Northeast Asia and Southeast Asia, were going to

matter. They're going to matter economically for India, and it was going to matter strategically, as well.

So, first of all, it was a recognition, and second of all, it was an aspiration. It was an aspiration that India needed to become, for its own self-interest, needed to become more integrated into Northeast and Southeast Asia.

Now, what does that mean in practice? Now, this has changed over time as the environment has changed, as East Asia has changed, itself. But it's really composed of three aspects. One is, effectively, economic. India has seen East Asia as a source of investment. And I can get into some specific examples. Two, India sees East Asia also as a potential market. And this is, again, really still in the aspirational phase, partly because India's exports haven't really taken off to the degree many would have imagined.

Secondly -- and this, I would say, is the most successful aspect of Look East -- has been really in terms of institutional architecture. I think we tend to overlook the fact that in the early 1990s it was not a foregone conclusion that India would be part of the institutional architecture of what we think of as Asia. But today, when we look at it, India is a member of the East Asia Summit, it is a member of various ASEAN-centered groupings. It may very well end up a member of APAC -- although that is, again, still in the aspirational phase.

But the fact is, today India is very much a part of the security architecture and the economic ecosystem that is Asia.

And, thirdly, India was interested in maintaining a favorable balance of power. And this, I think, is also something that has been a work-in-progress. But this really is what Look East was.

Now, where do the various elements in these bilateral relations and multilateral relations fit into this? I'm going to dwell a little bit on Japan, just because it hasn't really been addressed so far, and because Prime Minister Modi just went to Japan.

Now, this was really heralded as a very successful visit, and it was certainly successful in the sense of what this -- the optics of the relationship, effectively. There was clearly a sense of personal chemistry between Modi and Prime Minister Abe, his Japanese counterpart, and it reflected in some ways chemistry between the two countries.

The other real big success of this visit was it really cemented the strategic investment that Japan is willing to make in India. It is willing to bet big on India. And this visit really reinforced that. And it came out in a raft of agreements related to infrastructure, railways, investment in skills development and energy. I won't bore you with the details of all of it, but it's all quite easy to find.

And it also showed, by the way, that India has no intrinsic difficulties with Japan's evolution, particularly, as a security actor. India, in fact, expressed, quite explicitly, a comfort with an enhanced security role for Japan. They signed a defense MOU, memorandum of understanding, and this really institutionalized both bilateral military exercises, (inaudible) maritime exercises involving the navy and the coast guard, and also trilateral, quite significantly, it actually made a specific reference to Japan becoming part of, basically, institutionalized as part of the U.S.-India bilateral maritime exercises. There was also some stuff on defense trade, as well.

Now, where does this visit fall short? One important area was India didn't get a nuclear agreement from Japan, which many had hoped for. And this, I think, raised some questions from India's standpoint as to whether Japan can actually deliver.

This is something that Abe seemed to indicate was possible, but there was considerable resistance within the Japanese bureaucracy, amongst other things.

The other question, I think, that can be raised is whether this kind of momentum in India-Japan relations is actually sustainable. And this, I mean, normally would be because of doubts on both the Indian side and the Japanese side. Both are democracies, both seek frequent changes in government often. On India's side, I think right now we can expect, for the next five years, a certain amount of stability at the federal government, at the central government level. We may not necessarily see that in Japan. And so I think it's quite -- I mean, Abe is clearly very personally invested in the relationship with India, but can this momentum survive Abe, I think, is more of an open question.

Just briefly -- I mean, both Nick and Joseph touched about South Korea and ASEAN. I won't go into too much detail -- but, from India's point of view, I think India sees South Korea very much as in the economic aspects of this relationship, less on the multilateral and less on the security aspects of its Look East policy.

The economic aspects have been, actually, in fact, a tremendous and in some ways unheralded success. Hyundai is one of the largest car manufacturers in India today. Samsung has a huge presence. Korean private companies have, like Japanese companies, bet big on India.

ASEAN is, in fact, a mixed bag, and I think you have to break it down, to some degree, by bilateral, various bilateral relationships. And part of it is, from India's point of view, actually there are in some ways two ASEANS. There's a "near ASEAN," which is Myanmar, Thailand, Malaysia, Singapore. There's in some ways a "far ASEAN," that is Indonesia, Vietnam, Philippines, et cetera.

There's also an economic ASEAN, from India's point of view, which is really Singapore, to a lesser degree Indonesia and Malaysia -- Myanmar, actually in a very different way.

And there's a security ASEAN, from India's point of view, which is, again, Singapore -- Singapore happens to be in both categories -- Vietnam, and the Philippines quite possibly might fall into that category.

But in addition to this web of bilateral relationships which have, again, mixed -- they're of different levels of importance, from India's point of view. They have different characteristics, from India's point of view. I think the most important thing that ASEAN offers is, of course, being an institutional anchor in the region. And, as I said, I think one of the little appreciated successes of the Look East policy, insofar as there was a policy, is that India is now quite well integrated into this institutional architecture.

MR. WRIGHT: Thank you.

Evan, Dhruva was talking about the Look East policy. Was does it mean to move to that, to actually operationalize it and "Act East"? What does that mean for -- I mean, how would India go about doing that? What advantages and disadvantages does Prime Minister Modi have in front of him with the capacity that he has to execute that strategy?

MR. FEIGENBAUM: Well, I think Dhruva began to address some of that, particularly when he talked about the economic piece, and also about trying to drive the security piece towards something real. You know, I mean, from my standpoint, I think the backdrop to the entire discussion -- this panel and the last one -- is that a lot of countries, including but not limited to India and Japan and the United States, are wrestling with essentially the reintegration of Asia, economically and strategically, after a very long

hiatus. So, if you think about Asia historically, you know, a thousand years this was an astonishingly interconnected place. And you had people plying trade routes, whether it was caravan routes or it was maritime routes. There are traces of India's name in places like Indochina and Indonesia.

And then, I don't know, a few hundred years ago, some things came along that were disruptive, and that essentially destroyed a lot of traditional patterns. So, in continental Asia, you know, the marginal cost of maritime trade went down, continental trade, for a variety of reasons, became too expensive, so a lot of that was disrupted. You know, a lot of the Indian economy became subsumed within the larger British empire, and so a lot of that imperial structure began to change the ways in which traditional maritime trade patterns happened. China, the Cold War disrupted a lot of patterns in East Asia, as well.

And so what's happening is really, I think, that India -- Mr. Modi, but he also has predecessors, Americans, Japanese, others -- are wrestling with, essentially, a phenomenon of the last decade to decade-and-a-half, where strategically what happens in different parts of Asia is quite relevant to the broader balance of power.

Economically, as Dhruva was saying, you have Chinese, Japanese, Korean money, multinational companies, flowing all over Asia. You have Straits bankers financing deals in India. By the way, you have a lot of Indian companies also moving money out of the country and investing abroad. A lot of these are global companies, they're not just Indian companies.

And so, in that context, I think, you know, the question I have, whether it's about India or other countries, is intellectually, strategically, and bureaucratically, is India, is the United States, are others, well set up to deal with that rather different

phenomenon, which is very different, and is going to be very different from the Asia that really prevailed during the Cold War period, and in the immediate aftermath.

So, you asked about India specifically, so let's just, you know, take the economics, for instance. It's fine to talk about "Acting East," but, you know, if you want to "Act East" economically, the backbone of East Asian economics is integrated supply and production chains, to which India is largely irrelevant. And so the last government in India, the UPI government, had a national manufacturing policy that was designed to take the share of manufacturing in GDP from 16 to about 25 percent of GDP. But if I'm not mistaken, the share of manufacturing actually shrank in the share of Indian GDP.

Now, Mr. Modi at every occasion talks about manufacturing -- manufacturing, manufacturing, manufacturing. India is open for business, it's open. And a lot is happening at the state level for instance -- in Tamil Nadu, and in the south. And there's been some degree of integration.

But I think, you know, until India starts to manufacture more, the notion of integrating into East Asia, into the backbone of what drives East Asian economics is a real challenge. And that's why, you know, people talk about trade but, you know, China is -- what? -- 12 to 13 percent of ASEAN trade, India is 3. It's not a coincidence, it's a function of a lot of what I was just talking about.

And that gets you away from foreign policy and, frankly, into a lot of domestic policy -- not just national manufacturing policy, but land acquisition policy, warehousing policy, labor policy. And, you know, the good news, it seems to me, is that Mr. Modi and this government are very much focused on the connection between India's domestic development and the opportunities that are provided in Asia.

But the danger, it seems to me, is analogous a little bit to a danger I see with the United States, which is that the more that security becomes the driver, at a time when, you know, Asian economies are increasingly providing public goods to one another, and not least by being the demand for one other, that drives some economic growth, India has an opportunity, or it runs the risk of being left behind. And particularly as China moves up the value chain, there will be, among a lot of economies, a competition to fill the bottom of that chain, to pick up a lot of what has traditionally been done in China but is going to be done elsewhere. And some people say, oh, it will be Vietnam, it will be Thailand, it will be Indonesia. Multinational companies are rethinking their strategies in Asia.

But India, it seems to me, has an enormous opportunity to essentially get its national policies right in a way that has that foreign policy implication, while also helping to grow industry in India.

So it seems to me that's the biggest challenge, is on the economic side. You know, the visits are fine, a lot of the strategic stuff is fine. The idea that India is going to be a major security actor in East Asia, in a transactional way, as opposed to in terms of existentially helping drive a favorable balance of power, I think that's a little bit more strained.

But, you know, I think India is a big factor in the way people think about the balance of power, because it's large, it's an outsized economy, and it has this enormous untapped potential to be a much more integral part of both the economic and strategic equation in East Asia.

MR. WRIGHT: Thanks.

Dhruva, if I could go back to you for a second -- I mean, that's a very interesting point that Evan has just made. If I heard you correctly, you're basically saying that it is, in your view, that the upside is more on the economics, you know, than on the security. I mean, that there are these security things happening, but basically the real game is on the economic side. Is that --

MR. JAISHANKAR: The upside to whom?

MR. WRIGHT: For India. Is that right?

MR. JAISHANKAR: No, no, that wasn't necessarily what I --

MR. WRIGHT: So, what I heard you saying a bit was that there are multidimensions to this policy, but that, basically, India won't necessarily be an existential actor in the security sense in East Asia, and it will be in a transaction way that, really, the potential is to get the domestic, you know, policies right so they will be a much greater economic actor.

Is that a fair characterization?

MR. FEIGENBAUM: I don't think it's always that helpful to think transactionally about this. The fact is that the emergence of India as a power in Asia is, I think, existentially good for the balance of power, because you have large, continental-size countries that essentially create checks and balances on each other.

But when you get into the stuff that's transactional, what I was saying is that there will be a security piece and an economic piece, but the danger is that if the security piece gets too far ahead of the economics as a driver of relationships, then there are opportunities missed, but also the business of Asia is business, in a lot of ways. And without the economic dimension, I think India -- you'll hear a lot of what you heard from Joseph, and others, "Oh, untapped potential," I think you'll continue to hear that until the

economics start to come into much more close alignment. The good news is I see a lot of that happening.

MR. WRIGHT: Yes, I want to go back to Joseph in a second. But, Dhruva, do you agree with that? Do you with agree with that, or do you see it more on the, you know, that the security side needs sort of more continuing attention?

MR. JAISHANKAR: I mean, I don't think that those are mutually exclusive. I mean, I would actually agree with everything Evan --

MR. FEIGENBAUM: Sorry, I'm just trying to provoke you a little bit, you know.

MR. JAISHANKAR: I would actually agree with almost everything that Evan just said. I would say, though, that I'm not so sure that -- I think there's also an opportunity in security competition, as well.

And, while I agree that, you know, that India's primary value is as an existential actor, I mean, that it's very existence as a security actor helps preserve a favorable balance of power, in fact, actually that's also helped drive India into the institutional architecture. That is, the reason why the likes of Singapore and other ASEAN countries want to see a greater Indian presence -- whether it's an economic presence or a security presence -- in Southeast Asia, is because they would like to preserve a favorable balance of power involving the United States, China, and India.

And so, in fact, you can actually look at it in a different way, which is security competition has actually helped, in some ways, integrate India into Asia, East Asia, primarily, which can also help in various ways in getting India into the economic architecture. Hopefully, you know, possibly this could be APAC, various other ways. There's actual connectivity in Northeast, which is where Myanmar plays a role, and where

India's northeast plays a role, as well, in terms of integrating India directly, and by land, with a lot of ASEAN.

MR. WRIGHT: Great. Thanks.

Joseph, could you sort of speak to this issue. And also, in his initial remarks, Dhruva spoke about how India had, you know, looked to Southeast Asia in sort of different categories or baskets of countries. They overlapped a bit, but some was more economic. Some -- including, I think you said Singapore -- was more on the security side.

And how does it look from the region? Do they sort of think of it in similar ways? And what do they think India has to offer? And what do they sort of want to get out of this over the medium to long term?

MR. LIOW: Okay. Let me make a few points in response, initially, in response to what was being discussed earlier, but it dovetails with some of your questions as well.

I think, as far as Southeast Asia is concerned, they want to see India integrated, both in terms of security and economics. So, it's not mutually exclusive.

Hark back to the '90s, the turn of the century, when a similar debate was being discussed in the region about Japan, Japan's role -- you know, whether or not Japan should confine itself to essentially an economic role, or it should start to expand its role into politics, into regional diplomacy, into security.

And at that time, very interestingly, the response from Southeast Asia to their Japanese friends was that "Be careful not to lose ground to the Chinese, because the Chinese are ramping up their very comprehensive involvement in the region." And I say it's interesting, because when it comes to India, you see Southeast Asians again, to

some extent, viewing and appreciating India's role, from the lens of China's relations with the region. So, I mean, I don't think they intentionally want to see it in a competitive light, but you cannot not view India's relations with Southeast Asia without considering China's relations in Southeast Asia as well.

So that's one point.

The second point, which gets to this idea also about what, sort of, ASEAN's wish list, in a sense, for India is -- again, this issue of connectivity, this issue of not really being part of the regional production networks is critical. That is where India was lacking. That was where there was a lot of hope that India would further integrate itself into regional production networks. It didn't happen.

Connectivity is always a problem. And it's interesting -- again, if you compare to China, China has very wisely and pragmatically leveraged, on its border regions, Kunming, Chongqing, to enhance economic relations, subregionalism, with Southeast Asia -- mainland Southeast Asia.

In the case of India, the direct connection is the northeast, for India, which is hardly the most vibrant economic zone -- right? So, something has to be done about that as well -- you know, take a leaf out of the Chinese book, in terms of subregional economic integration.

And then that gets to this issue of Southeast Asian states, which are the sort of states that have, as you were alluding to, have more sort of, more substantive relations with India. The issue of the border brings to mind Myanmar, which is, of course, critical strategically and economically, as very as India's ambitions to integrate deeper with Southeast Asia is concerned.

But, really, the closest friend India has in the region is Singapore. I think you can say that by a mile, honestly. In fact, Singapore was the most ardent champion of Indian engagement with the region from the mid-'90s onwards. In fact, I think Singapore -- I don't whether a Singaporean coined it, or someone coined it for Singapore, "India fever," that was what they were talking about back then.

And, interesting to note that a lot of the improvement, the strengthening of that relation was on the back of private sector links between India and Singapore -- no doubt facilitated by a comprehensive economic agreement that was signed but, you know, really driven by the private sector.

But you do see India sort of identifying other potential key partners. Indonesia is one of them -- which, I mean, well, for obvious reasons, Indonesia being the largest economy, largest country in Southeast Asia. In 2005 they signed a strategic partnership. But symptomatic of the problems that Indian engagement has encountered, nothing much has materialized after the signing of that strategic relationship. But, nevertheless, there have been attempts over the last couple of years to address that, not least of which through joint naval exercises, security-related activity. So there is a potential there.

And I think Indonesia itself is interesting. It's at a point of its history where it is seeing a greater role for itself regionally, as well. So that can dovetail with India's sort of reinvigorated interest in the region.

I'll leave it at that.

MR. WRIGHT: Thank you. And, Nicholas, we're talking a bit about security issues here, as well as the economic side. And I touched on, earlier, the Japan

sort of dimension, and the extent to which concerns about that may affect sort of Korean-Indian relations.

But turning to the other sort of big, you know, security issue in Korea, North Korea, does that factor at all into South Korean sort of thinking about India, or a role that it might play?

MR. HAMISEVICZ: It factors in a little bit. Obviously, it's the Pakistan-North Korea connection that's the big part there. And the past two meetings, or big meetings, there were suggestions and a little bit of agreements between South Korea and India on intelligence-sharing -- so when national security advisor Menon went to Korea late in 2013, agreement on intelligence-sharing, and then again, when Park Geun-hye went to India in January of this year, an agreement on intelligence-sharing.

So, the sentiment or feeling was that it was about Pakistan and North Korea. And so that's kind of the main part of it.

And then, I guess, a little bit, I think, in the lower-level discussions with India you have how to deal with an unruly or difficult neighbor. And so you really have this talk of, you know, comparison between the two countries -- okay, South Korea's got North Korea, India's got Pakistan, how do we engage these countries, how do we deter these countries in that kind of conversation.

And then, again in the broader scheme of things, when you look at South Korea and India, you know, in regards to these security issues, it's the values and ideals for a stable Asia that help drive, and help provide the safety and stability for the economic factors that both countries want to drive their economies in the 21st century. So talking about ways that they see Asia as stable, and ways to try and bring about that stability in

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order for their economics to thrive I think is part of that, again, broader level of security dialogue when you're talking about South Korea-India relations.

MR. WRIGHT: Thank you.

Turning -- before we go to the audience in 10 minutes or so, but before we do I'd like to turn to the role of the United States in all of this, and really what this means for U.S. relations with India, but also for America's sort of view of regional order in Asia. I mean, is this, you know, clearly a sort of a positive development that helps that sort of strategic objective of a stable Asia? Or is it more complicated than that?

So, Evan, do you want to kick us off?

MR. FEIGENBAUM: Sorry -- when you say is "this" a positive, the "this" you're referring to is an India that's more integrated?

MR. WRIGHT: Yeah, an India that's more integrated, more active.

MR. FEIGENBAUM: It's absolutely -- I think it's absolutely something the U.S. has sought. It's absolutely something that's in the U.S. interest. And I think it's absolutely why the United States and India talk more than ever before about East Asia.

But, you know, if you step away from India and start with an American perspective, as I said, a lot of this is a function of the United States coming to terms with a more integrated Asia. And, you know, somebody -- maybe it was in the last panel where somebody used the term "Indo-Pacific." You know, we used to talk about "Asia-Pacific," suddenly we're talking about "Indo-Pacific." And I think the emergence of that term is very much a reflection of this wrestling match that Americans are having with how to think about Asia in a more integrated way.

You know, as I said before, I actually think that's proving harder for the United States than it probably should be. It's intellectually hard, because the United

States really had several separate policies for Asia. It had an East Asia policy that had its origins in the Cold War in the post-war period. It had a South Asia policy that was very disconnected from that East Asia policy. And, you know, by the way, Indian foreign policy at a time when the U.S., in the context of competition with the Soviets, was asking Asian countries to essentially choose sides. That didn't help either, particularly after 1971. And then Central Asia, but yeah, that was Russia, that wasn't even Asia at all.

So, intellectually, the U.S. hasn't been that well set up for this.

Strategically, it means, as I said, coming to terms with, you know, a region that in some ways is more Asian than just Asia-Pacific, because there's a lot happening among Asians themselves. And the economics is important there because the U.S., the dilemma the U.S. has is that the U.S. has traditionally been both a provider of security-related public goods in Asia, but also economic-related public goods in Asia.

And on the security front, the U.S. was, is, and as far as the eye can see, will remain a very central security provider in this region, through its network of alliances and forward-deployed military presence.

But, you know, on the economic realm, where the U.S. was the demand that essentially allowed a lot of export-driven Asian economies to export their way to prosperity, you know, Europe, you're looking at austerity as far as the eye can see, U.S., lower growth. So, particularly since 1997, '98, and the Asian financial crisis, Asian economies have been looking for regional solutions. And that's something the U.S. has come to terms with. (Inaudible) that India's in some of those, on some is regional architecture with the United States, by the way. But some, like the Regional Comprehensive Economic Partnership, is regional integration ideas and negotiations that

do not include the United States. And the U.S. just has to decide what it can live with, and what it can't live with.

So I think, for the U.S., India is a part of that. You know, people talk about a "rebalance." There's an intellectual rebalance, a strategic rebalance. And at some point there needs to be a bureaucratic rebalance because, you know, we're actually, at the NSC, and State, and Defense, and PACOM, CENTCOM, they're all not set up to think in a more integrated way.

But I think the key is that what's driving this is that the U.S. and India, at the level of interest, share a lot of interests in a more integrated Asia, and particularly East Asia. And one, as we said before, is a favorable balance of power. Another is it should be market-based solutions to economic development. At the regional level, there is the issue of the global and the regional commons, particularly in the maritime space, but not just what are the rules that govern interaction in the maritime space. And that's been a big part of the conversation. And there are other things, too, that we can talk about.

But just the last thing I'd say -- and maybe I differ with you slightly, here. It happens very rarely --

QUESTIONER: Right. I'm going to jump on that part.

QUESTIONER: I have something to say about that, too.

MR. FEIGENBAUM: Just -- the formal architecture is important, but I would make a plea for more informal architecture.

Frankly, when I look at the last 10 years, the most successful thing the U.S. and India have done together in Asia, in a lot of ways, I think, was the tsunami core group, through which the United States, India, Japan, and Australia, in an ad hoc,

informal way, provided extremely rapid and effective relief in a contingency. And that happened with a group that basically didn't have a secretariat, didn't have annual meetings, people didn't wear funny shirts and, you know, drink tropical drinks. And it didn't happen in a storied city of diplomacy, and there was no communiqué. And the ultimate measure of success was the group's own demise.

And I think that kind of ad hoc, functional approach, where India and the United States -- and others, including Japan and some others -- bring capacity to specific functional problems, sometimes in formal ways, sometimes in more ad hoc ways. I think, in a lot of cases, that's likely to be the model where we're most successful.

MR. WRIGHT: Thanks.

And nothing quite gets the juices flowing as the question of, you know, informal, mini-lateral forums, versus formal, multilateral architecture. I know that's an argument we always have, everyone here around the dinner table.

Dhruva, can you -- do you disagree with Evan?

MR. JAISHANKAR: Well, I differ on just a -- I mean, it's not an exact difference, but a slight amendment, perhaps, to what Evan said.

One is, for the U.S., I mean, I do think the one big plus -- and this is particularly in light of growing American budgetary constraints, which I think are weighing on a lot of people's minds here in this town -- is India's role as a security actor. And perhaps even if it is as an existential one, even if it is in very small ways contributing to the defense of the commons, that, I think, the fact that India is becoming a security actor in East Asia, even in minor ways, I think is obviously a net plus for the U.S.

But I would just caution on three ways in which this may not, at least maybe in short-term ways, may not be such a positive for certain sections of the U.S. policy community.

One, U.S. companies may very well end up at an disadvantage as India integrates into East Asia. And that's because they are accountable to their shareholders. And that means that they're not, they're much more susceptible to short-term changes in market sentiment. Now, arguably, a Japanese company or a Korean company, even if private companies, can ride that sort of thing out. They can make a long-term investment. And, to be fair, certain U.S. companies have. GE has, Boeing has -- I could name, probably, a few others as well, who made long-term commitments to the India market.

The same cannot be said of a lot of other U.S., and actually European companies as well, who, at the slightest change of -- you know, when there's a downturn in the last couple of years in India, a lot of companies tried to cut their losses.

So, I mean, this might be, as India, you know, as East Asian companies start investing more in India, establishing themselves as a presence, perhaps, you know - - and India, by the way, according to a Brookings study which is now a few years old, that Homi Kharas did here -- India is said to be, by 2050, by far the largest middle-class market, I mean, significantly higher than China, partly as a function of demographics. And actually, I think, I forget when exactly, but about 2030 it's likely to surpass China.

So it will be, I mean, the single largest -- it could very well end up being the single largest middle-class market in the world. And the U.S. may, for a variety of reasons, may miss out. U.S. companies may miss out on that. And that's something to keep in mind.

Two, I think, diplomatically, the U.S. may have to commit more, and make stronger commitments. And this risks it being dragged into situations it may not want to be. I don't think the U.S. acquitted itself particularly well through its handling of the East China Sea dispute. And for a country like India, that doesn't inspire a lot of confidence. It's hard to make the case in India that the U.S. is a dependable partner if it's not willing to back up a country like Japan, with which it has a formal treaty alliance.

MR. WRIGHT: Could you just elaborate, sort of, what way do you mean didn't (inaudible).

MR. JAISHANKAR: Oh, I mean, I think the most obvious example being that, you know, sort of criticizing it, but also then recognizing commercial carriers to fly through there.

MR. WRIGHT: Right.

MR. JAISHANKAR: So, there's a sort of wishy-washyness, you know. And this will -- again, for obvious reasons, the U.S. does not want to be dragged into a lot of disputes in the region, but India's integration into the region may accentuate certain disputes which the U.S. may not want to be dragged into. So, another sort of caution there.

And the third is institutional. And Evan touched upon this a little bit, which is there are both ways within existing multilateral frameworks, and perhaps new ones, where either the U.S. is excluded -- and the RCP is one example -- or there are ways in which, say, in the ASEAN-like groupings, which have a different way of conducting business, which is based on lowest common denominator, and things like that, which runs counter to a U.S., somewhat traditional U.S. and Western notion of multilateralism -- so, I mean, which will lead to certain amounts of frustration

diplomatically. So there will be just, in terms of a philosophical approach to the institutionalism, there may still be certain points of difference.

MR. WRIGHT: Good point. Thank you.

Nicholas, do you want to weigh in here?

MR. HAMISEVICZ: Just a quick point on the Asial integration. For South Korea, it's often hard to conceptualize and work on the Indo-Pacific or Asia-Pacific. North Korea keeps drawing it in, South Korea, trying to improve relations with China, historical tensions with Japan, its relationship with the United States -- it kind of gets, at times it can be sucked back into Northeast Asia.

But when you have a strong India, that's excited, that wants investment, that wants infrastructure, that wants people to start coming to India, that helps that thought process in Korea, and helps provide that integrated Asia that the United States wants. And when you have that, you help broaden the U.S.-South Korea alliance. And then you have opportunities for South Korea to find those kind of informal networks and exchanges that Evan is talking about, that really helps South Korea become more integrated in the larger Indo-Pacific, Asia-Pacific, and help broaden the U.S.-Korea alliance to become more interactive in the Indo-Pacific, Asia-Pacific, beyond just dealing with North Korea.

MR. WRIGHT: Thank you.

Joseph, do you want to weigh in here, too?

MR. LIOW: Well, I'll just make two quick points, and say that, number one, Southeast Asia, or most of Southeast Asia, shares the same reticence, reservations that India has, as we've heard, about the sustainability of American commitment. Not that we question the honesty behind it, but just, you know, whether or not all these other

factors -- including domestic factors in the U.S. -- will basically be an impediment to its being able to carry out the role that it says it wants to carry out in the region.

And the second point, also just to follow up on Evan's point, that indeed, in Southeast Asia -- or, in fact, in East Asia -- the security, economic, political dynamics are so diverse and so fluid, it's very difficult to sort of encompass everything under one particular institutional framework.

I think a functional approach, warts and all, has, on balance, proven to be probably the most prudent approach thus far to regionalism. And, again, is -- at least from my perspective -- is most likely to be of greatest utility, given this diversity of interests and players in the region.

MR. WRIGHT: Great. Thank you.

Unless there's any more immediate comments, I think we can go to the audience.

So, do we have a microphone? Yes.

Okay, I think we'll take two questions at a time. If we could go up nearer the front, initially -- so, the gentleman here, and then the gentleman here.

We'll take three -- these three in the front, then.

Introduce yourself, first. Thank you.

QUESTIONER: My name is (inaudible). I'm from the American University. And I have a question to Joseph.

I'll just bring your attention to the Tokyo Declaration. It identified Japan as the heart of India's Look East policy, a position earlier reserved for ASEAN, for the last, say, two decades.

Do you see some sort of drift taking place in India's overall focus that it had on ASEAN? One.

The same declaration seems to have set in motion a very distinct India-Japan major power consensus emerging in the region. How would you say that that reflects on the idea of ASEAN centrality in the regional order? Does it dilute or does it strengthen the ASEAN (inaudible).

Thank you.

MR. WRIGHT: Thanks.

The gentleman here -- just, yes.

QUESTIONER: I'd like to ask a question relating to the informal arrangements that I think most of the speakers seem to think is very important in the region.

As far as the United States and Indian relations are concern, clearly, having a large and engaged Indian overseas presence here has been very important. (Inaudible) played a role as an almost kind of a lobby group of their own, and they have been very important in maintaining a whole variety of contacts between important sections of the United States (inaudible) economically, and so on, with India.

Now it so happens that, you know, despite Chinese claims, the country or the civilization that has really played, historically, a very important part in Southeast Asian culture has been India, not China. You go around Southeast Asia and you hardly see any Chinese artifacts, nor do you see the influence of Chinese culture in the kind of kingships and sultanships that used to (inaudible). In addition to which, just as there are many overseas Chinese in Southeast Asia, there are also a large number of Indian communities in the (inaudible).

And I find it very puzzling why that historical and, indeed, now personal connections have not really played a role, perhaps not necessarily similar to that of China, but playing a role in encouraging, if you like, a range of informal connections that have helped in the United States.

MR. WRIGHT: Thank you.

And then one more question in this round -- the gentleman just behind you.

MR. MOSETTIG: Michael Mosettig, PBS Online, and News Hour.

Both these sessions, which have been very valuable, have projected a much more ambitious, but also more complicated, wider foreign policy for India. And I'm going back to the *Economist* piece of a couple weeks ago, which indicated, A) that there isn't this tradition in Indian foreign policy of a broader-gauge foreign policy.

And the second point -- though people rarely suggest that the last thing that India needs is more bureaucrats -- is that the foreign service of India is smaller than the foreign service of Singapore. And, you know, you've had the discussions here of initiatives that are raised and then sort of manage to get dropped and not followed through upon.

Does India have the institutional capability to conduct a broad-gauged, complicated, multi-pronged foreign policy?

MR. WRIGHT: Great questions -- thank you.

Joseph, I think we'll start with you, because one of the questions was directly addressed to you. But feel free to answer the other questions, as well, and then we'll go to the rest of the panel, and then we'll go back to the audience.

Thank you.

MR. LIOW: Okay. The question on Japan, or the statement made in Japan -- well, the first I would say is it's early days. I mean, it was his first major East Asia foray as prime minister. But on the other hand, I think he was clearly seizing the opportunity, as well, you know.

Japan, itself, is trying to project a greater role in regional affairs. So, as I alluded to earlier, you have some sort of convergence over -- in that bilateral relationship, between two powers who feel that, or who have come to the realization, I suppose, that they really should be playing a bigger role in regional affairs than they already have. And, of course, at the back of both their minds is China. In fact, the back of everyone's mind in Southeast Asia, as well -- -which I'll get to in awhile.

So, what does that portend for ASEAN? I think that -- and this was a point that was made in the earlier panel, also in this panel -- that there is a tendency, as far as the Indian perspective is concerned, to view ASEAN, if not two tiers, certainly multiple tiers, multiple states. And I think that that interpretation is right, as a whole.

And so, certain states in ASEAN, so long as the bilateral relationship with India remains strong, and the bilateral relationship can serve as a conduit to a progressive improvement in India's relationship with ASEAN as an organization as a whole, I think there is no issue with that. Singapore, as I mentioned already, is the closest partner, and Singapore has always played a role of facilitating India's engagement with the region. In fact, this morning I was just reading that the chief minister of West Bengal has announced that they're going to set up a Lee Kuan Yew center for business and commerce. I don't know whether that will compete with the Lee Kuan Yew Chair here, but nevertheless, very interesting development there -- so, not necessarily incongruent in that sense.

ASEAN centrality -- as you know, the logic behind ASEAN centrality, rightly or wrongly, is that we provide the neutral platform. So the assumption there is that there is a trust deficit among the other major players. And I would say that that trust deficit is still there, between China and Japan, between China and India, as well. So, in that regard, I think it is still relevant.

But, of course, that leads to another debate, which we will not get into here, and that is to what extent can ASEAN make something out of that centrality, or is it content to basically just provide the stage, or the platform, or the arena for these other powers.

Michael's point about India's cultural influence -- a very good observation, compared to China.

I think if I answer in one sentence: The absence of India cultural centers. This, I find fascinating, that the Chinese have cultivated and leveraged on whatever little linkages that they've had culturally with the region. India has not. India has not invested in that. India has not cultivated that. That's probably something that they should do.

And I suppose the reason why they have not is because, number one, they have for a long time, since independence, been fixated with their immediate neighborhood, with a very ideological foreign policy, following which they then became -- as we were sort of talking about the Look East policy, and the shortcomings with regard to that, India never was able to muster the resources necessary to enhance its political, economic, and cultural role in the region over the last decade, decade-and-a-half.

So this is one area, the cultural dimension is certainly one area that the Indian government might want to consider working on as well.

MR. WRIGHT: Thank you.

We'll just go down the table. So, Nicholas, if you want to go next.

MR. HAMISEVICZ: Just a quick point on the historical and cultural connections. I know the question is more toward India and Southeast Asia, but I think India and Korea have actually done a pretty good job of recognizing some of their cultural connections recently. Both the embassy of India in Seoul, and Korea's embassy in New Delhi have done a good job of trying to do as much as they can, with the limited staff they have, to try and highlight some of these things.

But you've had, you know, kind of the historical, cultural thing of Indian princess going to Korea. You have Tagore, his poem about Korea as the lamp of the East.

And so Korea and India have been able to kind of use these as the starting points to try and connect some of their other ideas. And a couple years ago you had, the two countries had the Year of Korea in India, and in Korea, it was the Year of India.

And so they're trying to use some of these cultural connections, limited that they have, to draw more attention to the relationship. And I think they could do more, especially as both countries look to do more with their movie industries and things like this, where you have some of their more modern culture being pushed out, and you can do that.

And on the question of bureaucracies, you know, I think Korea and India have at least the right frameworks for connections -- whether that's the Comprehensive Economic Partnership Agreement on the econ side, even though both sides want to update that, but at least that's a mode for conversation. And then have some of these

smaller meetings, the foreign and security policy dialogue, the joint commission between the two foreign ministers.

So you have the right kind of frameworks to connect each time. And whether or not you need more bureaucracy, or more people just to kind of move that along at a quicker pace, I think it's uncertain, and probably something that needs to be looked at more closely.

MR. WRIGHT: Thank you.

Dhruva?

MR. JAISHANKAR: Thank you. I'll just take a few of the questions.

One on the Tokyo Declaration, I should, I would like to emphasize that that statement about Japan being at the center of the Look East policy was not new. It, in fact, echoed exactly what Manmohan Singh said when he went to Japan about a year, year-plus ago.

And the reason for that --

QUESTIONER: (Inaudible) 2006 joint statement.

MR. JAISHANKAR: Not in the joint statement, in a speech that Manmohan Singh gave in Tokyo, he specifically mentioned that Japan was at the center of the Look East policy. Not in the joint statement.

The reason for that, it had nothing to do with ASEAN, per se, it had to do with -- it basically has to do with the different narrative that India was advancing with regard to Asian primacy. In some ways it's countering the narrative that China is at the center of Asia -- a Sino-centric Asia.

I mean, it basically a reinforcing notion -- and you can dispute the -- the history, in some ways, is relevant, that Japan was the first global Asian power. And that was a recognition of that.

In terms of informal arrangements and the diaspora -- and that was actually a very good question -- India has had a very -- India's approach to its diaspora has changed radically. Until about the late 1990s and early 2000s, India had a policy of basically, that it treated its diaspora as lost diaspora. There were no institutional connections with it. This has a long legacy. India, by the way, still does not recognize dual citizenship, although it does -- in the late 1990s and early 2000s, the BJP government, the previous BJP government, undertook a study which actually, amongst other things, just tried to track how many, the size of the Indian diaspora, where they were and all of that. And that report actually led to a number of changes, including creating a legal status, a person of Indian origin, and subsequently an "overseas citizen of India."

So this was, in some ways, the early 2000s, late '90s, early 2000s, marked the reengagement of India with its diaspora. So all of this is actually very new in some ways. It's really in the last 15 years that there has been this reengagement.

This has led to a certain number of institutions' being created. There's a sort of Day of the Global Indian, which is held in January. There's a major event that's held in Delhi. Representatives from the Indian diaspora come there, including from -- there's always a big delegation from Southeast Asia.

So these kinds of attempts have been made. It's only happened in the last 15 years.

And this actually connects to another point, which is why India doesn't have Confucius institutes, or an equivalent, in places. Part of it, I would say, is that I'm personally quite skeptical of this approach to soft power. Actually, technically, it's not, it isn't soft power, it is hard power by another means. But, I mean, traditionally, India just hasn't had the resources.

And, again, some of this is changing. In fact, cultural diplomacy is one area which has expanded quite rapidly in the last few years. There's a major initiative to take, sort of, Indian culture to different countries. A few years ago the focus country was China, and there were these major cultural events in 30-something Chinese cities, including a lot of second-tier cities where, you know, you don't see Indian cultural events ever.

So, some of this has started. It's on a much smaller scale, mostly because of resources. And then the diaspora has been engaged, both formally and -- informally, but certainly now formally, as well, in various capacities.

But all of this has really been in the last 15 years, when the government has basically done a U-turn on its treatment of the diaspora. And, in fact, it actually mirrors the Chinese model of actually seeking money from the Chinese diaspora, in Hong Kong, in Southeast Asia, in Taiwan, to invest in China, in the 1980s and 1990s.

And then on the issue of diplomacy and -- on the *Economist* article in question, I'm afraid that it was based on research that is now somewhat outdated, or at least a scholarly consensus that is quite outdated. And it was also -- I mean, I would just -- frankly, it was lazy, a lot of it was lazy scholarship, in my opinion.

I mean, I do think there's a lot you can -- there's a lot of evidence that India has actually had a lot more continuity in its external relations, despite changes in

government, The fact that India doesn't make policy pronouncements, and it doesn't actually issue white papers which lay out what it's foreign policy strategy is, shouldn't be misinterpreted as their not having a strategy. And I'm afraid that a lot of that was based on that.

On the issue of diplomats, that's certainly a problem. That is certainly one that's being addressed, and they've been trying to address it now for some time. The number of incoming diplomats has increased quite considerably -- still, probably, arguably, not enough.

How does that compare to India's other institutional weaknesses in terms of, particularly, personnel? I would say it probably is a relatively low priority, the number of diplomats. India has very few central administrators. It has shockingly few intelligence agents. I mean, the Indian intelligence, domestic intelligence budget is less than 1/40 what the FBI's is -- 1/40.

QUESTIONER: That's just what they want you to think. (Laughter.)

MR. JAISHANKAR: I mean, if you add all the other -- I mean, the Indian bureaucracy is just generally understaffed and under-resourced -- actually, arguably, diplomats less so than most of the other branches of bureaucracy.

Is it an issue that's receiving attention? Yes. Is it being fixed? Yes, slowly.

But, in the grand scheme of things, how important is it? I would probably say it's a relatively low priority, given India's other challenges.

MR. WRIGHT: Great.

Evan?

MR. FEIGENBAUM: I think it's all been said. The only tiny thing I'd add is I think your point about historical and cultural ties is a very powerful one, which is why I mentioned Indonesia, Indochina.

But maybe that's says I'm a very functional guy, but I just think historical legacies are not a substitute for building a track record of success. I know you weren't saying that, but the example that comes to mind is I spent two years as the Deputy Assistant Secretary of State in charge of Central Asia. So, you know, if you think about the history of the Mughal Dynasty, you know -- Babur, well, he came from up in the Farghana Valley. He spoke Chaghatay. He was a Timurid prince. And he worked his way down into the subcontinent. And there are very few active traces of Indian strategic influence in Central Asia -- at least that I encountered -- notwithstanding talks in Tashkent, and this kind of thing.

So, historical legacies are powerful, and they're something on which to build, but I think the functionalism that you heard from the panel reinforces that point about the need to really build a track record of doing things.

And I just think that potential is there now in a way that wasn't true 2 years, 5 years, 10 years ago.

MR. WRIGHT: Great. Thank you.

We have about six minutes left, so we have time for a lightning round -- but be quick when you ask a question.

So, we'll go at the back. So the lady, Rob, just to your right, there, to start with.

MS. MANSINGH: Thank you. Surjit Mansingh, American University.

I would like to add, with your permission (inaudible).

MR. WRIGHT: Could you stand up, or turn -- is the microphone on?

MS. MANSINGH: Immediately after independence, India had a very active policy towards the rest of Asia. There was the Asian Relations Conference of 1947. There was the 2,500th anniversary of the birth of the Buddha. There was a great deal said and done about the culture. There was the Indian Assistance to the Indonesian independent movement. There was a great deal done and said about the connections between India and the rest of Asia.

That foundered mainly on American policy of building up Southeast Asia into a military alliance. And it's also foundered on the Southeast Asian sensitivity to the old European habit of referring to Indochina as "Greater India." They didn't really want to hear --

MR. WRIGHT: We're almost out of time. So, do you have a question?

MR. MANSINGH: No, just making a comment.

MR. WRIGHT: Okay, we'll ask the panel to comment on your comment.

And the lady two rows in front of you. There, Rob -- yes.

MS. CHANG: Thank you. My name is Lan Chang, at Bridging Nations Foundation.

And my question is that are there any dynamics about India's negotiation or involvement in TPP, comparing especially the possibility of India to join TPP comparing to China?

MR. WRIGHT: Thank you.

And we have time for one more -- so, the gentleman here against the wall. Yes.

MR. JAIN: I am Naman, from the American Security Project. I'm a media and government relations intern there.

I was wondering if any of you could just briefly comment on Tony Abbott's trip to India, and what it means for civilian nuclear cooperation, and what developments have taken place.

Thank you.

MR. WRIGHT: Great. Thank you.

Okay, we have about one minute each, so feel free to address any of the questions or comment, or anything else that anyone on the panel said, especially if you disagree with them, because we're trying to get, still clinging to hope of an actual argument here.

So, Joseph, we'll begin with you, and we'll work our way down.

MR. LIOW: Okay, I'll just make quick points about the point that the lady was making -- point taken. But those movements were premised not on -- I mean, there were set cultural by essentially anti-colonial nationalist movements, number one.

Number two, I'm not sure who you're referring to when you mentioned that Indochina was referred to as "Greater India." Maybe Burma, but Indochina, the French were in Indochina, and I don't think they referred to Indochina as "Greater India."

MR. WRIGHT: Thanks.

Nicholas?

MR. HAMISEVICZ: Not so much on the questions, but just a quick point on kind of Korea-India relations.

You know, there's a lot of opportunity and excitement for engagement, and greater engagement, for Korea-India relations, but Korea-India relations really need

a big win. They have a couple key things on the security side. You know, Korea wasn't able to get KT1 fighter jets, their trainers, they weren't able to win that bid in India. And now that they have these minesweepers that India was going to buy from South Korea, now reports are that South Korean -- there's a claim that the South Korean company didn't do the big properly by using middlemen, which is apparently against Indian procurement law.

So, security side, these two big things that I think a lot of people in Korea were looking to kind of interject in the India relationship didn't work, or hasn't worked yet.

And then on the economic side, you know, there's this big push to upgrade the Comprehensive Economic Partnership Agreement, which both sides want to do, but both sides have differences on what to upgrade as far as that goes. And you had two big companies, Korean companies, that have had big, kind of, media difficulties, or in the media it's been big played up, is POSCO, and their struggles in Odisha, and in India, not being able to fully kind of implement their investment and their mine and plant there.

And you have Samsung, you had the Indian supreme court, you know, calling for the Samsung chairman to come to India because a Samsung subsidiary supposedly didn't pay an Indian company.

So you have these two big things, both on the security side and the economic side, that were really kind of there for being the big win for Korea-India relations, and haven't really taken place. And so the two sides are really looking for that big win to kind of push the relationship forward, and not just kind of incrementally creep along.

Thanks.

MR. WRIGHT: Thank you.

Dhruva?

MR. JAISHANKAR: On the first point, Professor Mansingh's comment, which I would agree with. I mean, I just think, just a clarification, I think the "Greater India" referred -- there are European maps up to the 19th century which show that area as "Greater India." I don't think that people from the region necessarily called it, or probably --

QUESTIONER: (off mic)

MR. JAISHANKAR: Yeah. But just to (inaudible).

I do think, though, there are some things about -- I mean, we tend to think of India's engagement with East Asia as very new. It's, in fact, not. Actually Richard Bush, I think, mentioned earlier that it goes back quite a ways.

I do think sometimes we forget that in the 1950s, in addition to Bandung and others, India actually played a very active diplomatic role. India was the channel between the U.S. and China during the Korean War. We tend to forget about that. In fact, the U.S. and China and India all, for various reasons, forget about that.

We forget that India actually helped exchange POWs during the Korean War, or sent a military mission, a medical mission, as well. In fact, there's an Indian flag hanging in front of the Korean War Memorial in Seoul for that reason.

So, I mean, India did play a much more active diplomatic role in the 1950s. There were a number of reasons in the 1960s, not just to do with (inaudible) neocolonialism or anything like that, it had to do with India's own, the legacy of 1962. It had to do with India's resource scarcity, et cetera.

On the question TPP, Evan could actually probably answer that better than I can. My understanding is India is actually quite a ways away from -- if that were to

happen, it's actually quite a ways away. I think in the near term, even having a feasibility study on India's part as to what India needs to do to join TPP would be a step in the right direction. But my understanding is that there are far too many things for India to do in the near term.

On the question of Abbott's visit, I'm afraid I can't really say much more than what you may have read in the press, apart from the fact, I mean, I do think it's important to note that Australia for awhile, for very different reasons, like India is seen as sort of on the periphery of East Asia. And, in fact, this visit helps to actually bring both of those actors more centrally into the sort Indo-Pacific architecture, if you will.

MR. WRIGHT: Evan, last word to you.

MR. FEIGENBAUM: What's left?

Australia -- not on the periphery of East Asia, critical American ally in the alliance architecture in the Pacific, particularly in terms of the intelligence relationship and other things.

What do we think of Tony Abbott's visit? I say, good on ya. And the uranium thing, I mean, that reflects partially a change of government in Australia.

TPP? I think the principal issue with TPP right now is to move TPP forward, and that's really what's preoccupying the TPP negotiating parties, rather than new members -- which is not to say there aren't other new members that are out there.

I think, India, I wouldn't hold my breath for the reasons that Dhruva said. In fact, I might even bet that you see China as a TPP negotiating party before you see India as a TPP negotiating party. And that has a lot to do with Chinese interest in external sources of pressure for domestic reform drivers in China. And that's why you see the rhetoric in China having really turned around significantly on TPP in the last year.

But I think, you know, once it -- if it happens, then, you know, let's see what happens in terms of TPP expansion. And as Dhruva said, the central point is that a lot of what India would have to do to adjust its domestic sectors to become TPP-compatible would, I think, be very welcome to a certain segment of Americans, and others, who are looking for domestic economic and institutional reform in India.

MR. WRIGHT: Great.

With that, I'd like to thank all four panelists for a really terrific conversation, and thank Tanvi for putting this all together, and for the previous panel, as well, for a really great afternoon of discussion.

So with that, we are adjourned. Thank you. (Applause.)

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