

THE BROOKINGS INSTITUTION  
INDIAN PRIME MINISTER NARENDRA MODI'S  
VISIT TO THE UNITED STATES

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**Panelists:**

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**Conversation with the Honorable Eliot Engel:**

THE HONORABLE ELIOT ENGEL (D-NY)  
Ranking Member, Foreign Affairs Committee  
U.S. House of Representatives

STROBE TALBOTT, Moderator  
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## P R O C E E D I N G S

MR. ANTHOLIS: Well, good morning, everybody, and welcome to Brookings. It's a real pleasure to be with everybody here today. And we're about a week from President Obama's meeting with Prime Minister Modi. The President is on his way to New York. The Prime Minister will soon be on his way to New York for the UN General Assembly Meetings and then they'll be coming back to Washington for a working meeting as opposed to a state summit or state level visit.

Today we've put together a great panel discussion and then it will be followed with Strobe Talbott interviewing and having a conversation with Eliot Engle, the ranking minority member on the House International Affairs Committee. Along with discussing India-U.S. relations we're rolling out with this event a new Brookings India Initiative briefing book, "The Modi-Obama Summit, a Leadership Moment for India and the U.S." The Brookings India Initiative is an integrated two part structure. On the U.S. side it's led by the India Project here at Brookings which Tanvi Madan runs, and in India our great partners at the Brookings India Center of New Delhi who I just had the pleasure of visiting with about 10 days ago. The book was released by our Center in India last week with a discussion that included Piyush Goyal who is the Minister of State with Independent for Power, Coal, and New and Renewable Energy, and Shyam Saran who is the Chairman of India's National Security Advisory Board. The briefing book is also available at [Brookings.edu/Modi-Obama-Summit](http://Brookings.edu/Modi-Obama-Summit). And for those tweeting the event today the hash tag we're using is #ModiUS. It'd like to thank all the scholars who contributed to the briefing book as well as our staff who helped to put it together, and in D.C. especially Neha Aggarwal and Jessica Brandt, as well as our Foreign Policy and Central Communications teams. And as I mentioned I was in India and I read the book -- I

contributed a piece myself and then read the entire book in about an hour and a half on the flight on the way over. And it was spectacular briefing and we've had terrific praise from both U.S. government officials and Indian government officials on the concision but also complete nature of the book. It covers quite a lot so I really do recommend it to you. Most of the essays are between 700 words and 1000 words and they're an overview of all the essays you would want to deal with.

And so today we have three of the authors, actually four of the authors including myself in the book. Starting from my right and going to my left, Tanvi Madan who I mentioned before runs the India Project here at Brookings and is a Fellow in our Foreign Policy Program. She has expertise that covers everything from the basic diplomatic relationship between the United States and India as well as the U.S.-India-China triangle, but she's also written on energy security in India and a host of other issues. She has a Ph.D. from the University of Texas, Austin and is also a Brookings alumnus. She came up through the Foreign Policy Program so she's really been part of our family for some time.

To my immediate left is Josh Meltzer who's in the Global Economy Program. Josh writes on global trade and investment including everything from the World Trade Organization to data flows cross borders. He also writes on climate change. So along with Tanvi and me we all share a common passion and interest for energy and climate issues.

And then on my far left, spatially not politically, is Neil Ruiz from our Metropolitan Policy Program. Neil writes on a number of different issues but in particular is quite interested in, and as it relates particularly to India, immigration and high tech immigration, H-1B Visas and the like. When I was in India two years ago working on my book Neil was working on the inverse story of something that I was quite interested in

which was the high tech immigrants coming out from India. I was focused on geographically where they were coming from in India and he was focused on geographically where they were going to in the United States.

So what we'll do is we'll have each of the panelists talk for a few minutes and then we'll have a conversation.

MS. MADAN: Thank you, Bill, and thank you all for coming. What I'm going to do is set the stage for the visit. Why is Mr. Modi coming to the U.S., why is he being welcomed, talk about a little about the visit itself and what might stem from it as well as the way forward. And I'll try to do that as concisely as possible.

When Prime Minister Modi came into office in May there was little expectation that he would focus on foreign policy. The campaign had been as most election campaigns often are in India and in many other places including here, quite focused on domestic issues including the economy. But what we've seen in the last few months since Mr. Modi has taken office has been a focus on foreign policy that has been significant. And I don't think it's surprising because that foreign policy is very much linked to Mr. Modi's domestic goals. And so what we've seen is -- we saw initially an approach to the neighborhood including to Pakistan as well as Nepal. Then we saw a kind of outreach to a number of Asian countries. Mr. Modi visited Japan. President Xi Jinping of China was just in India, and we also saw for example from the kind of broader Asia Pacific Prime Minister Tony Abbott from Australia in India recently as well. The Indian President went out to Viet Nam. I mention this because I think the visit to the U.S. is part of this continuum and it is related to these other visits. Mr. Modi comes to the U.S. and will continue his kind of travels through the autumn. But this visit in particular is something that's getting a lot of attention. Why is Mr. Modi coming here? Why does he consider the U.S. important? This question is even being raised because there was also

some expectation when he came to office that he would hold the U.S. at arm's length because of the revocation of his Visa in the mid-2000s and the lack of official American engagement with him for the last few years, not since last year but the two years before that. And there were two options that Mr. Modi could have chosen. He could have chosen option A which is to hold the U.S. at arm's length, pursue these relationships with other countries and basically say okay, the U.S. relationship is there but I'm not going to pay too much attention to it. What we've actually seen him do is choose option B which is say that I am going to actually reach to the U.S. and reciprocate the outreach from the administration, and it has been significant over the last few months, to take this relationship forward.

So why is the U.S. relationship important for India? Why is Mr. Modi coming here at what is a very busy time for him and for Mr. Obama? He's coming here because as he said just before the election results were declared the U.S. relationship is in India's interests and I've broadly outlined in kind of a couple of broad areas. One is strategic. India will need the U.S. and the Indian officials have said that the U.S. will play an important role in managing the rising China. Counterterrorism cooperation is another key area where India and the U.S. actually do cooperate. There's also this aspect of kind of on the strategic side, competitive courting. A good relationship with the U.S. carry down to the benefit of India's other relationships including with Japan, but also with countries like China and Saudi Arabia. As Indian officials admit an India that the U.S. takes more seriously everybody takes seriously is something that you can hear Indian officials say. The second reason is economic. The U.S. as a source of capital, as a source of technology and skills, something Mr. Modi has highlighted repeatedly. It is also a market for your Indian investment in Indian companies in the U.S. There are also aspects related to kind of the economic dimension including energy needs that the U.S.

will play a significant role in moving forward. And overall there's this sense that the U.S. -  
- and you hear this Modi government officials now speak about this -- that the U.S. can  
play a significant role in either facilitating India's rise or in actually hindering it.

So why is Mr. Modi being welcome here? It is for that reason related to  
kind of India's rise we've had a number of administration officials over the last few years,  
but also the administrations before this one, so the Bush administration, but also going  
back to the year 2000 with President Clinton. And if you read his speech in India it kind  
of outlines some of these similar themes which are that India's rise is a net positive for  
the world, for India, for the U.S., and for the world. And that it was in U.S. interests to  
support this rise. There are kind of three reasons I think administration officials -- but  
even beyond, because this is not just a relationship between the two governments, it  
involves various levels. And you've seen kind of proponents of the relationship in the  
U.S. outline three areas why they think India is important. One is geopolitical. And the  
geopolitical dimension has a lot to do with kind of India's role in Asia. Both west and east  
Asia, but specifically what you hear as kind of the relating of India to China. But India by  
its very nature if it grows, even if does nothing to actively support the U.S. strategy  
towards China, but India if it grows, if it evolves, if it strengthens, will automatically serve  
as a balancer to China and will help shape China's rise for the better. Economic, that it's  
an economic opportunity for the U.S., for U.S. companies there, but also in the reverse  
order. That you do see Indian companies investing here, you see American governors  
going out to India to seek that investment on a regular basis now. And I think there's this  
third dimension which is values. And, you know, sometimes they can be downplayed, but  
the fact that the two countries are democracies that there is a perception here that India  
is a democracy if it succeeds will help show the world as a model rather than in terms of  
any active democracy promotion, will reflect if India grows and grows well, the

democracies can develop as well. That democracy and development aren't mutually exclusive.

So this is the context in which you see Mr. Modi coming here. And President Obama reached out to him fairly immediately, called him. The administration has expressed great hope that the Modi government will be able to deliver on its promises of growth, governance, and the ability to get things done. And they would like to see, and I quote, "What Mr. Obama called a strong, developed, and inclusive India that actively engages with the global community that Mr. Modi indeed promised during the election and after." This is the context kind of largely of the visit. What about the visit itself? What we're going to see is a two prong visit, one in New York and one in D.C. And what the expectations are -- and we can talk about the details of the event -- but what we see is kind of in who Mr. Modi is meeting kind of a bit reflects the broad and deep relationship that India has with the U.S. But it's not just a G-to-G or a government-to-government and that to a federal government-to government relationship. And just a few examples of this are Mr. Modi will be meeting everybody from congressional leaders to state leaders including potentially the governor of New York. He'll be meeting with former Mayor Bloomberg to discuss smart cities, he'll be meeting with a number of private sector leaders, and he will meet with administration officials at all. And then something that actually hasn't been highlighted in previous visits as much but it is this time, he will be interacting with the Indian-American community as well as civil society groups, et cetera.

What are the expectations of the visit? I think there's a style element as the answer and there's a substance element of the answer. I think in terms of the style element this is the first opportunity for President Obama and Prime Minister Modi to interact directly in person. And it will set the tone for kind of the relationship moving

forward. So I think it's important in that respect. I think the second aspect is it does give a chance for the administration to highlight or show, demonstrate respect for not just India but the leader that India democratically elected. A third aspect is kind of highlighting -- I mean -- and this is not I think active but will be a passive contrast which is if you look just a year ago at the relationship, this was kind of a summer of discontent of India-U.S. relations. The sentiment on the Hill wasn't great because of a few economic differences. There was also the aspect that Mr. Modi could not have visited U.S. a year ago. Now he's been welcomed with open arms. So I think that aspect that it is a significant visit for those reasons. There will be substance. We might not see too many kind of big deals announced, but there will be a fair amount of substance. And I think it's important to put this in perspective. What this visit has also done in terms of substance is acted as an action-forcing event, which is to get the bureaucracies on both sides and the political leaderships focused on this visit at a time when both countries are preoccupied with other domestic and foreign policy priorities. And so I think it's important to keep that in mind. We are likely to see some discussions or we might not see, but there's likely to be discussion on the foreign policy side of key areas of interest for both countries including as you look west from India into Afghanistan and Pakistan, as well as the broader Middle East where India had key concerns. It is an important part of the region for India as well. And then looking east, including India's relationship with China and the U.S. relationship with China and recent developments, as well as kind of India-U.S.-Japan trilateral. These are likely to be subjects of discussion.

On the security policy side you're likely to see discussions on counterterrorism cooperation, but you're also likely to see talks about defense cooperation. Potentially we might see a few deals announced in the defense trade side though the administrations on both sides have been trying to keep expectations low, but



there is hope that they will actually get some deals done just to give you a sense of defense trade. If you look just a decade and a half ago there was almost no defense trade. Today the figures stand at about \$12 billion in defense trade. The U.S. has gone from becoming kind of a zero percent share of Indian defense purchases to kind of close to -- actually over seven percent just in the last fifteen years. And I think the other thing that you're -- and this is by the way expected to go up to \$14 million next year.

I'm going to let my colleagues cover some of the other economic and people-to-people ties that kind of feature. But I will say that, you know, broadly the number of -- you'll see a broad range of discussions. Some we won't see. We're not going to see some of the discussions that they will have on other key issues, but I do think what you're going to see is discussions on taking forward, or at least initial discussions on taking forward a number of the opportunities that Duli had and are featured in this briefing book and I would encourage you to read it. And you will see that moving forward I think that this visit should be seen not as the culmination of something but the beginning of kind of this next phase of the relationship. In the next two years of the Modi-Obama years could be significant if both sides actually achieve the potential.

Let me finish my remarks with just highlighting some of the obstacles that Duli had for the two and they will have to confront. There's likely to be a focus on the optimistic side, on the opportunities as there should be in some ways for the next week or so, but just some of the obstacles. And since Prime Minister Modi likes alliterations, let me outline the "Seven Ds" or the "Seven Dangers". The first is drift. As I said both countries are very preoccupied with other domestic and foreign policy priorities. Are they going to have the time for this relationship? Are they going to be able to pay attention to this relationship especially if there's no kind of big crisis, and nobody should hope for one. The second is a danger that differences will dominate. And they do exist and my

colleagues will outline some of them in their areas. In the foreign policy side it potentially exists with Pakistan, with Iran, with Russia perhaps and also in the multilateral stage. Third, difficulties related to dealing with another democracy. This relationship unlike some of the others is going to take place in the media glare. This is a strength to both countries but it also makes it harder sometimes to take this relationship forward. The fourth is an aspect that creates those opportunities and more constituencies for the relationship, but also creates more hurdles in terms of implementation. And that is decentralization. Bill and others have talked about this at great length which is this is a relationship that now involves states, it involves multiple stakeholders, and this means that it's harder for the governments to get things done. I'll give you a quick example, the LNG deals, U.S. exports of LNG to India. This cannot be eventually decided or a U.S.-India nuclear deal. The implementation involves the private sector. This is not something that the Federal government is going to achieve alone. Another one of the "Ds" is domestic politics and capacity effecting again that the country's ability to actually implement any of the agreements they reach. And finally disillusionment with each other if expectations are left unmet which could lead eventually to the dilution of each other's importance in the two countries' strategies.

So I'll end there.

MR. ANTHOLIS: Thanks, Tanvi. Josh, go ahead.

MR. MELTZER: Yeah, great. Thanks. I'm going to focus on the trade and economic dimension to the U.S.-India relationship and what can be achieved and what this means in the context of the visit. I mean I think when we think about the opportunities here it's just worth taking a step back and thinking about where India is currently in the context of the global economy and I think where it would like to see itself go. So I think that's part of the way that Prime Minister Modi is thinking about the

opportunities and the challenges for India going forward and how the importance of the bilateral trade and economic relationship plays out in that space. But I mean it's clear that India has potential to be a very large economy over the next 10-15 years. Indeed from the projections out there, there are some that suggest India could be the world's third largest economy by 2025. It's currently the world's 10th largest economy. And in order for India to achieve that Tanvi had outlined some of the domestic and foreign policy challenges along the road. But part of it's certainly going to be building out the bilateral relationship with the United States which currently on all dimensions is clearly lacking and provides a lot of room for growth and opportunity. Part of that is certainly going to be I think a focus on encouraging increase United States investment into India which currently is exceptionally -- I mean it's low by any measure. The stock is in the range of \$30 billion which is at least half that of what's been going on in China. And I'll go into a little bit more why I think that's going to be a very important component here.

If you look at just the -- the trading relationship though is actually even significantly in a sense lacking then the investment relationship where again if you sort of look at China which I think is a different country but just useful as a neighbor with a similarly large population, U.S. trade with China is in the realm of nine to ten times on the goods side larger than U.S. trade with India. So coming off a very low base but obviously lots of room and opportunity for growth there. And I think that's certainly going to be something that is going to part of not only the conversation that the Prime Minister will be having with the President here but also in terms of his other engagements particularly with the business community in New York. One part of the relationship which has been growing and I think offers some very unique potential here is on the services side. There actually has been a lot of growth in that relationship over the last 10 years and it's not one of an allied sort of, you know, opportunity in the sense that there are political risks

associated with that growth. In the United States at least the concern on the services side which has played out more broadly into this issue on off-shoring job and particularly on the extent that sort of white collar, higher paying, and U.S. services jobs actually can be done in India. But putting that issue aside which is certainly a narrative that needs to be navigated here it's clear that the off-shoring which essentially has been really led by U.S. businesses in India in particular has been a very large benefit for a segment of the Indian population that has managed to go into that part of the economy which is increasingly employing higher educated, skilled work force, but from a productivity side for U.S. businesses it has also been extremely beneficial. And the growth opportunities there keep getting larger essentially as IT and internet opportunities expand the scope for a lot of tasks and services to be done in India there.

This links in I think with what is clearly going to be a focus of the Prime Minister, both when you think about his international focus and also in terms of what he needs to do domestically which is basically building up the manufacturing sector in India. I mean what's clear is that India has followed in a sense a development pathway which is atypical which is that it's gone into sort of high tech, high end services and not utilize what is very large pool of, you know, sort of relatively low educated low cost labor to building out a manufacturing center. And I think there's a variety of reasons why that has not happened yet and there is a clear understanding I think in the business community and the Indian bureaucracy about what needs to be done to grow out the manufacturing sector and the vast majority of the steps that have to be taken there are domestic performance if it's through things to do with the infrastructure and the like and we can talk more about that. But certainly the potential for India is not only going to be in the pool of low cost labor but in fact linking its growth in the manufacturing sector with its already strong services sector. Because what we do understand now is in fact that

manufacturing embodies large amount of services and in a sense the fact that India already has a relatively well developed services sector I think bodes well for India actually moving up the value added chain on the manufacturing side fairly quickly. And a well targeted, strategic approach to that area stands to produce a lot of benefits for India in that regard.

Now one of the key meetings actually think that the Prime Minister will be having when he visits the U.S. will obviously be with the President, but also his meetings with business CEOs. And I think that in terms of that meeting, you know, this is part of a sense, a road show to both I think understand what have been the key concerns that U.S. businesses have had really investing in India over the last decade, and there have been many, in fact, and a lot of disappointment at the end of the day with Prime Minister Singh and this has included a range of issues, from tax, there was a sense some backsliding on promises to open up the retail sector, there was little progress on infrastructure which is going to be key across the board if India really is going to stand opportunity of building out the manufacturing sector in any serious way. I think the Prime Minister brings a lot of credibility with him. As State Minister in Gujarat he was seen achieving, you know, respectful levels of economic growth and having a good understanding about the type of environment that businesses need to invest with. So I think that's definitely a strong plus, but I think there's also an understanding that being Prime Minister of India carries with it a whole lot of additional challenges and whether he can in fact deliver I think is going to be one of the question marks which we're only going to really learn about over time. But, you know, that credibility that he brings with him I think is going to be very important in convincing the business community in the United States that he knows what it takes to put India on the pathway which is going to substantially change the business environment in a way which we're going to see a significant increase in investment into India over

time.

Now in his meeting with President Obama it's clear I think that one of the issues that they're going to raise is the Indian in the sense about-face on the WTO deal that was agreed in Bali, the trade facilitation agreement in particular which required India essentially to take a series of steps by the end of July in order to implement it which at the end of the day decided not to do which has now put the whole deal into question. And this is not only about the deal in itself which is of significance to the world, but is also about essentially both the future of the WTO, and it's also I think even more importantly about the credibility of India when it comes to doing deals with India. There was a lot of late nights and missed deadlines in the lead up to actually securing the Bali package and a sense that everyone had negotiated in good faith and that this was a deal that everyone could live with. It was definitely a previous government that had done that, but at the end of the day it was India. And I think that, you know, the decision so far has created a lot of negativity in terms of perception which it is not a good thing in terms of where I think Prime Minister Modi wants to take India. And I think it's going to be a need to try to use this visit to address some of that. I'm sure that's going to come up in the conversation, probably with the CEOs as well. But the U.S. is certainly going to push the Prime Minister on trying to resolve this issue. And I think finding a pathway forward for India on this is going to be important not just in terms of the immediate trade issues wrapped up into this WTO package, but just in terms of the broader perception of India in the global economic community going forward.

The other part of the picture here which is if India -- India's also -- and Prime Minister Modi has articulated this as a goal for India to become a global trader and I think again this is part of the things that India has a lot of potential, that it's not been reaching that potential and part of that is to be more globally engaged. And think those

are all very good signals. And India though coming off the WTO decision but also looking back over the last 10 years in many respects has been outside a lot of the main trade negotiations that have gone on. The most important one in the region for India is the Trans Pacific Partnership negotiations which is a 12 member negotiating group with includes the United States, Japan, Viet Nam, Australia, New Zealand, Malaysia, a bunch of countries which themselves are fairly significant trading partners for India, but the aim of the TPP has also broadened out into an Asia Pacific deal and it's not clear at this stage when if ever India could join that. And certainly I think that again its decision on the WTO Trade Facilitation Agreement doesn't play well into a sense in the United States at least about the credibility of India as a negotiating partner in any of these deals going forward. So again I think that's one of the challenges that needs to be addressed, not just on the credibility space but in terms of what do these trade agreements mean for India going forward, if India sees itself as being increasingly integrated into global supply chains which I thinking building out the manufacturing sector implies, then how does India do that if it's not part of some of the key trade deals that has been done in that part of the world. And t here are other trade agreements which India is not part of which I think are also going to be increasingly significant for India. There is an agreement being negotiated in the context of the WTO called the Trading Services Agreement which China has formally indicated that it wants to join and includes approximately 40 odd other WTO members and will be focused solely on liberalizing services markets and clearly given India's services industry and its export orientation not being part of that at this stage I think potentially spells out some problems for that sector going forward. So again being part of these agreements has got to be part of I think India's sort of overall strategy going forward.

I think I'll leave it at that and move over to Neil.

MR. ANTHOLIS: Neil?

MR. RUIZ: Thank you. What I'm going to focus on is about the people-to-people exchanges between India and United States. First let's start with the basics. Indian immigrants are the third largest immigrant group in the United States and they are high skilled. In 2012 64 percent of all the temporary immigrants under H-1B Visas, these are for high skilled specialized workers, were Indian. And Indians also are the second largest source of foreign students in the United States that are on F1 Visas, 15 percent of all students studying higher education. But their also very STEM oriented, you know, science, technology, and generated math. Majority of Indians are working in STEM occupations, two thirds of them, as well as seventy percent of all Indian students in the U.S. are pursuing degrees in the STEM fields. And majority of Indians studying in the U.S. are studying for graduate degrees. Almost 80 percent of them are pursuing master's degree, Ph.D.s at 11 percent, and then last 10 percent are bachelors. So this is a really interesting kind of exchange of trade, of flow of people coming into the U.S. And this is intimately connected to U.S. in several ways. First is providing a skilled labor to fill STEM occupations for U.S. companies in the U.S. There are a lot of founders of companies in Silicon Valley and other tech hubs in the United States founded by Indian graduates from U.S. universities. And we even see the head of Microsoft also from India. So there's a large kind of this connection in the business higher education and the flow of workers into the U.S. And Indian students are -- foreign student in the U.S. are a big service export. They brought in over \$5 billion over a five year period into the U.S. for tuition and living costs in the U.S. So this is really not just about the people, it also helps facilitate trade. It actually offers a lot of revenue for U.S. businesses, companies, and our economy.

So what are the issues if this is such a high scope demographic?



Because everything on immigration is focused a lot on the sticking points within the border with the south focusing on the children of migrants, but there's a lot of controversies around U.S. immigration from India. And this is on three fronts. First there's been a large debate is there a shortage in STEM workforce in the U.S. A lot of protectionists, especially labor unions that have a very kind of powerful presence in President Obama's administration have accused a lot of Indian IT headquarter companies and outsourcing companies of monopolizing H-1B Visas and using what they call the L1 Visas to transfer workers from India to the U.S. for importing cheap labor into the U.S. But this has been quite a big sticking point, a lot of accusations. There have even been legal attacks on a lot of Indian companies. One famous on Infosys about last year, accusations and that company has actually denied but they settled with the U.S. government so that it could continue to use the Visa program. But last year also U.S. Senate passed a bill, a comprehensive immigration form bill that actually had a sunset clause that wouldn't -- essentially banned Indian IT companies from importing workers into the U.S. because many companies have a large proportion of their U.S. workforce on H-1Bs or L1 Visas. If they had 50-70 percent of them they would basically not be able to acquire an H-1B Visa. And that was passed in the Senate.

A lot of Indian IT firms are popular again for providing services to U.S. companies. It's unfortunate because there's a lot of debate around this because especially with off shoring. This is different, this is the reverse. This in shoring, in sourcing jobs into the U.S. Where a lot of companies like Tata, Infosys, WebPro have a large business of doing client based work. This is work that cannot be outsourced to India but requires workers physically with, helping clients, U.S. companies in the U.S. But this is something that's not just restricted to India and IT companies, a lot of American headquarter companies are also in the same business, IMB, Sensur, also providing

services to U.S. companies. And the unattended consequences of these restrictions if it was passed would have actually favored a lot of the American companies which did annoy a lot of Indian IT companies and would eventually kind of charge U.S. companies a lot more. You would have had unattended consequences of charging a lot higher fees for these same client based services that a lot of companies need for IT services. And we have to remember that India is pretty much the global -- the competitive advantage is in the IT industry as we know.

The second front is finding a Visa for Indian workers or any foreign worker in the U.S. is problematic. These bills didn't pass and the H-1B Visa has a cap every year. And it's an archaic system right now where on a first come first served basis, every April companies vie for these 85,000 H-1B Visas. And the last two years it's been so difficult that we had to actually have a lottery. The U.S. government had to have a lottery both years which denied over 40-50,000 Visas to employers. So when it comes to permanent residency that's even another problem. For Indians if you are sponsored from a H-1B Visa to become a permanent resident of the United States on a green card you could be waiting for 10+ years for your green card. And this has a lot to do with the immigration system that we have which doesn't allot more than seven percent of our green cards to any one country. And this system was originally made to make sure that we have a diversified pool of people from different countries, but it doesn't take into account the changes in the global economy. India, China, many of these countries became powerful; they have a huge flow of students coming to the U.S. India and China again are the biggest sources of students to the U.S. So they have the longest wait if they want to stay and work in the U.S. And for many foreign student graduates of U.S. universities they would have to wait. They would not only have to, you know, be lucky to get an H-1B Visa, they have to go through the obstacles of again going through the green

card process. This can wait 10-15 years before they know a certainly if they're going to be staying in the U.S. permanently.

And the third front is on higher education. There's a large demand for higher education in India. As we know in India a lot of public universities haven't grown. So the huge demand, the economy is changing within India, so it makes sense that many of them are going abroad to find education. But in the U.S. there's been research that I released last month -- it was kind of interesting to see the demographics of within India where are students coming from that are studying in the United States. And as I show in that report Calcutta, most of the students there are going to study for Ph.D.s in the U.S. at top universities. Same with Mumbai, India. Mostly masters degrees at the top tier universities in the U.S. But then it was interesting when you look at Hyderabad and the surrounding southern India which has recently grown a lot in the recent decade because of the IT and outsourcing of industry are sending students to schools that we've never heard of. This was caught on a lot by the Indian press because they were surprised that Hyderabad was the largest source of foreign students in the U.S. going to schools that have been closed down by the U.S. government and because of fraud or schools that were posing as employment agencies in lieu basically of providing a Visa, kind of like because of the fact that we have less H-1B Visas available. So this has become a problem and it's something to think about even though this still represents a small portion of all foreign students, it's highly concentrated in the southern region of India that are coming to the U.S. into these diploma mills in the U.S.

So how does the U.S. and India move beyond the sticking point? I mean these are quite difficult issues. The bad news, which could also be considered the good news, is that Congress hasn't done anything. House didn't agree, they didn't send a bill, Obama hasn't been able to sign anything. So nothing has been taking action. The only

thing that currently that President Obama has been doing is allowing the spouses for H-1B workers to actually have work authorization in the U.S. because this has been a big problem. If you're waiting in the long line for 10+ years your wife or husband cannot work and most likely they're probably high skilled as well and highly educated. So that's one change that is on the pipeline, but right now there's a lot of uncertainty. So this is actually good news in a sense that this opportunity for the new Prime Minister to talk to the administration openly about these issues. What I recommend is that the U.S. really think through and talk with policy makers, talk with the Indian IT companies as well as higher education institutions to really think about what is going on with this flow. There needs to be kind of an understanding. There's a misunderstanding of the business model of a lot of Indian IT companies. I think a lot of policy makers in the U.S. automatically assume it's outsourcing, it's bad for the U.S. And there needs to be an understanding that a lot of companies, whether you're Indian or American, are in the same business which means that the global economy is changing. There are a lot of services that are needed, especially in IT.

And also I think President Obama should reiterate that there was bipartisan support for cleaning the mess of the green card wait. Both republicans, democrats, they've been in agreement, the House would have passed the bill but they didn't. That there's a lot of agreement on really just streamlining the Visas for high skilled immigrants.

Thank you very much.

MR. ANTHOLIS: Well, Tanvi who is, you know, the person who pulls the strings behind all things here at Brookings on India asked me to say a few things about both my recent visit there and also energy and climate which I did the piece for this. And the two actually tie together quite well. A few years ago I spent nine weeks in India

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travelling around all parts of India doing this book on Indian federalism, comparing it with China's system and I came across the Modi story and actually had spent 90 minutes with Mr. Modi interviewing him in particular about his growth strategy for Gujarat and the role that power generation, electricity, energy, and climate change played in his vision because he actually has written a book -- I think the only current head of state of a major economy to have written a book on climate change called "Convenient Action". And it was written sort of in counterpoint to Al Gore's "Inconvenient Truth". And he was trying to demonstrate that where in the United States we have these truths that are politically inconvenient he took action and invested in in addition to electric power generation through traditional means, also renewable energy, solar, hydro and the like. It's a terrific theme for telling the story about Modi and understanding the role that he plays in India. Having not been back to India since being there two years ago to see change in the mood of the Indian public is extraordinary, not just in his BJP party, remember it's a parliamentary system so he only won, you know, sort of in the mid-30 percent of the vote. But he won it in such dramatic fashion across much of India, not all of India. In the east and in the south he didn't -- his BJP party didn't win, but it was such a commanding victory in the lower house of parliament and one that hasn't been seen in at least a generation if beyond that and such a commanding majority, but again only in the lower house. He doesn't control the upper house and he doesn't control the various states of India. So he was elected on this mandate to grow the economy the way that he had done it in Gujarat yet he's still going to have to very much work with the states. And it's that tension between -- in this enormous federal system of India remember this is the population of North America, South America, and the 500 million people living in Europe. So if you think about that geopolitical diversity that's what he's managing; and almost as many languages if not more languages. And even political diversity among those various

states in terms of their complexity. And there's only so many things that he can do centrally. He's going to have to really work with state level leaders both to get things through the upper house and then to get the states to implement a lot of these things and work at the state level. In fact he's, you know, sort of selling the Gujarat model globally but he's going to have to go back and work with not just Gujarat but Tamil Nadu and more tricky places politically like West Bengal and Uttar Pradesh and the new state of Telangana. I mean this the sort of complex challenge that he's facing domestically. He has enormous political will. There are high hopes and high expectations including people in other parties. I had former congress party, parliamentarians, and others tell me that they're really rooting for Modi; they think that this is a generational moment and they think that his message of economic progress is an important one and that the country needs to rally. But politics are politics. People are going to oppose him both because they have different ideas but also because their party's interest is to make sure that he doesn't succeed too much. And we've seen that in all kinds of different places including here in the United States.

When it comes to power and energy and climate I think that context is hugely important. First of all he knows how to get it done. A lot of the levers for power and energy are at the state level. State electricity boards are hugely important in India on setting the prices for power and on collecting the fees. And those are the two most important things that he focused on and that he was effective at delivering. Coal is going to be a huge part of India's energy future and it will have to be a huge part of India's energy future. The question is what kind of coal. Both literally the kind of coal that is taken from the ground and burned and how it's burned. Are they, you know, cheap thermal reactors or are they super critical ones that are much more energy efficient and much more carbon efficient? And that's critical not just from an economic standpoint and

a local air pollution standpoint, but from a climate change standpoint. India right now has very, very low per capita green house gas emissions. So looking ahead -- first of all we're in the middle still of this climate summit at the UN which will transition into the General Assembly meeting -- Mr. Modi chose not to come to that as Xi Jinping also did, but there are 100 or so some odd heads of state who are coming. I think there's a two part issue here. One is what the climate diplomacy, global diplomacy looks like, that is the formal diplomacy under the UN system, the UN framework convention on climate change. And then also separate from that what are the policies and measures that a country like India takes and how can they work with the United States on that. In the framework of the UN system the transition that has been taking place for the last four and half, five years under the Obama administration is moving past the Kyoto architecture which had two different levels of participation. There were the industrial countries which are listed in the jargon of Kyoto under Annex 1, it's actually the jargon of something before Kyoto called the Berlin Mandate which was for all industrial countries which were obligated under the Berlin Mandate. And at Kyoto to take binding emission reduction measures under the Kyoto Treaty. And then developing countries, Annex B -- it's kind of like when you have a list of three things, one, B, and three. So there's Annex 1 and Annex B, and Annex B are the developing countries. And Annex B countries not only do not take binding reduction targets it's almost structurally in the negotiations impossible for them to take a binding reduction target. What they are obligated to do is to take a policies and measures appropriate with their level of economic development. That was all enshrined in 1995; that's a long time ago. We're almost 20 years -- we will be 20 years past the Berlin Mandate when climate negotiators assemble in Paris next December. And so the question is that phrasing is all under the heading of common but differentiated responsibilities. Since that time China's economy has grown; by many

estimates by 2015 will be the largest economy in the world by purchasing power parity. And India's will, you know, by various estimates be the third largest or already is the third largest economy and will continue to grow. China's emissions are already the largest in the world. They are nearly double and by next year maybe be double those of the United States. And China recognizes that because of the visibility of their emissions they are quite vulnerable in the international context and started working quietly with the United States and even publicly in some of the bilateral negotiations to announce that they're going to work together on climate issues. India prior to Mr. Modi's election has been reluctant to do that, but their emissions are also rising. If the U.S. is going to meet the targets that it announced at Copenhagen they will come down by 2050 to a per capita level of emissions that is right now still twice more than what each Indian emits per capita. So India has a lot of room for its emissions to grow and their emissions will grow without question as their economy grows, and probably grow quite dramatically even above that level.

I think the two questions are will India accept a common framework for talking about their emissions in the UN context and if so what are the policies and measures that it will take. And remember this is very complicated at a policy level because it breaks back down to the states. So I think what you will see, probably not at this summit, but the beginning of a conversation at this summit is India and the United States trying to work together both on the formal negotiations, but then on all the various policy and measures where the U.S. and India can work together. So for instance nuclear power, which is carbon free. Will there be breakthrough or at least a move on the civilian nuclear agreement that President Bush and Prime Minister Manmohan Singh had agreed to several years ago but which had not been implemented. Will that move forward? Will there be cooperation on renewables, solar, wind, even hydro which is



increasingly controversial in both countries? And will you see American companies begin to invest in Indian infrastructure? So those are the kinds of issues that will come out not necessarily of this summit but of the relationship in the next two years. And if we see a conversation that begins on those set of issues it's sort of the opening talks in something that will extend beyond that.

So with that I think we have about a half hour to -- 35 minutes or so for questions and answers. I'm going to ask a first question to Tanvi, open it to the group, and then we'll turn to the audience. So, Tanvi, right before this summit you eluded to the fact that Prime Minister Modi met with President Xi Jinping from China. It was billed as sort of this -- the sequencing had been he had first -- he -- Mr. Modi first met with regional leaders right around the time of his inauguration. He then met with leaders from Japan and Australia. And it seemed like he was leveraging that up to a great meeting with China. Gujarat had been an export place, Guangdong and many parts of China were export oriented. This was going to be a great economic relationship and he was going to lever up some of the investment pledges that Japan had made and was going to get a big bang. Big bang seemed to fizzle. What happened?

MS. MADAN: I think the visit in many ways highlighted both the potential and the problems in the China-India relationship. You saw it in some ways starting off quite well. You saw the quite optimistic President Xi Jinping making it a point to go to Prime Minister's home state Gujarat and signing deals, giving them a way to highlight not just the (inaudible) dimension but that for China the relationship wasn't just with Delhi but with states as well. You also did seek kind of talk of economic investment and you saw kind of connectivity being emphasized. But you also why and how something like the border dispute which no matter how much talk of economic potential there is in the China-India relationship -- and there also problems in that aspect -- but no matter how

much focus there might be on that or how much China might want to focus on that this issue with the border can kind of seep into every aspect of the relationship. And significantly while this visit was going on in the split screen on Indian news channels, you know, the visit was playing out on one side and the other side was talk of -- you can call it an incursion or transgression, the language used is different by the media and the governments -- but from China to India in what's called the western sector. And that was playing out. And so what that does is it doesn't just kind of create the atmosphere, and in this case kind of made it more pessimistic and negative for the broader conversation, but it also feeds into the mistrust about Chinese intentions that many in the Indian public have, you know, going back to kind of the 1960s. So I think what you saw is Xi Jinping trying to make it a point and you saw expectations set that this was a way. And I wouldn't say the visit was a disaster. I've heard some people say that. I actually think one of the problems was the expectations set were a bit too high. You had the Chinese Consul General no doubt with Beijing's approval putting out numbers like there was going to be a hundred billion dollars of investment commitment. It didn't help that he actively explicitly said -- compared this to Japan's \$35 billion over 7 years, and one that was only \$20 billion. If you compare it to the \$500 million of Chinese investment in India now that's a huge jump. But if you compare it to the \$100 billion that people were expecting it fizzled out.

And I think the other aspect where you did see -- and I think this has been an attempt since *Li* Keqiang went to India in his first foreign visit last year as Premier you did see kind of an attempt by China to say this is also one way for us to say we respect India, we want it to be part of kind of the global community and be a power on the world stage. I expect many Indians will say they didn't go far enough. So I think, you know, over all yes, there were some positive elements but it did get colored by these

other aspects.

MR. ANTHOLIS: Does the failure to meet the expectations that were raised, is it likely to impact how India now thinks about the summit with the U.S.? Is it even less likely to ramp up expectations for this one? Does it put more pressure on Mr. Modi to actually come to agreement on this one because the agreements were less than promised and the disagreements were more than promised in the China meetings?

MS. MADAN: I think, you know, visit to the U.S. by new Prime Ministers always get more attention than perhaps when -- from the Indian media, from the Indian public, than visits to any other country. I think the Prime Minister's visit to Japan got a lot of attention, similar attention. But one of the things I think Indian and American policy makers have learned -- and this is kind of a habit of cooperation that I don't think Chinese and Indian policy makers have reached that, is that -- and it's also because Indian and American policy makers have got their fingers burned, which is that try to keep realistic expectations. One of the things we saw in the last six or seven years is you saw this kind of extreme expectation, extreme hype about the relationship. But I think there is more kind of realism about yes, we are very hopeful about things moving forward but let's also keep in mind that there are obstacles to things like implementation, et cetera. I think one of the problems in the case of China was that I think that learning hadn't happened. So I think this was almost the opposite in the attempt to try to make this visit larger than life and to compete with the Prime Minister's visit to Japan. There was kind of this expectation setting that was a bit high. I think what this will probably do for this visit, and you've already seen it as government officials in both the Indian and the U.S. side trying to keep expectations as realistic. I think they will be still be kind of heightened, but I do think what this does -- and let's be clear, even before this visit this is not a Modi government, you know, there's the business side-minded Modi on China, there's a

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security-minded Modi on China. And you saw that security-minded thing in the Indian Foreign Minister a week before Xi Jinping went to India saying -- which usually Indian government officials wouldn't say explicitly that India has a one China policy and so China should have a one India policy including accepting that our (inaudible) which China claims and calls us that is part of India, you saw the Prime Minister making fairly strong statements if not explicit ones in Japan about especially kind of the East and South China Seas, but you also saw the Indian president even as Xi Jinping was in India signing a declaration which put India very much on the side of the U.S. and Southeast Asian countries on the question of maritime disputes.

MR. ANTHOLIS: So speaking of maritime disputes, Josh, I guess the transition is to think about TPP as the great trading area and obviously the two other countries that Mr. Modi had previously visited right before the meeting with China were Japan and Australia which got quite a lot of attention in India. Both Japan and Australia are pushing for a high standard Trans Pacific Partnership agreement and that's a challenge for both India and China. How do you see that playing out? Will that come up in the meeting and in what way? And in particular does the Chinese-India joint uncertainty about that agreement affect the agreement moving forward?

MR. MELTZER: So let me pick up on the China-India bit and get back onto the TPP because I actually thought that your observation about leveraging relationships was a very good one because I think, you know, when you look at the sequencing of visits where he, you know -- there's been visits to Japan and then there was the visit with China and I think each relationship was leveraged. And I think it was clearly an attempt to leverage what was hoped to be a very good China visit to get some outcomes here in the United States. And to some extent, you know, because I think the reasons you just discussed I think that changes a little bit of dynamics here. I mean I

think that, you know, for the United States when it thinks about the TPP in the region, you know, it's clear that as a first sort of priority, you know, the United States would like China to join at some point. And, you know, and I think the TPP can only really be understood properly in those terms, both strategically and both in terms of what's actually being negotiated. A lot of the chapters really, you know, the priority put on them such as on state owned enterprises only makes sense in that context. I think the broader sort of picture there for the United States is fundamentally one of, you know, stable and peaceful relations in the region and providing, you know, plenty of space for the peaceful rise and the development of both China and India, something which I think everyone realizes is a good thing for the United States and is a good thing globally. And the TPP is really about setting the framework on the trade and economic side for how that happens. And again, you know concern in the United States about the sort of an economic trajectory that China sort of has taken over the last 10 years increasingly state ownership of some of the key sectors of the economy. I mean certainly there are still large areas where the market does develop and concerns though about other issues relating from intellectual property to essentially this sense -- I mean I hesitate to use the word unfair but a better sense that there's a lot of support that the Chinese government provides to businesses which sort of tilts the playing field. Not only China but in third countries in the TPP. A lot of that is about trying to move away from that. And in that sense, you know, the thing we all know about trade agreements, right, is that the negotiations are always talked about in a quid pro quo sense that you do market access for market access, but at the end of the day the real benefits come from liberalizing your own economy. And, you know, countries understand this. I mean if you look back to China's succession to the WTO in 2001, you know, that the reforms of China under talking order to join the WTO laid the ground work for a lot of China's growth going forward. And in many respects the TPP model is quite

consistent with a lot of the economic reforms that India needs to take going forward and that China has talked about taking going forward. And so, you know, if there's a political space and an economic space and -- but getting into, you know, the TPP in many respects is a useful template of framework which can help these, you know, the Indian government, the Chinese government grow in the direction that they've already identified themselves as places they want to go.

Now, you know, it's a very complex I think situation now for India in terms of the sequencing of what actually happens in terms of the TPP because there is a real push by the administration to finish the TPP at the end of the year. This not talking about TPA or passing it through Congress but simply I think there's clearly a desire to get some form of in principle outcome that President Obama could announce at APEC in China later this year. And the question really probably next year is going to be the next series of countries that join the TPP. There's already half a dozen at least that came to join in the Asia Pacific region. For instance, you know, South Korea has made it clear that it's one of those countries. Now China has not formally said it wants to join the TPP. I think it's moved from seeing it as a containment strategy to something they're studying very closely. I think China faces a range of challenges joining the TPP not the least the fact that it didn't shape the rules of the TPP in a sense. And so just acceding to the TPP I think for its own political reasons might be a leap too fast so they might be in need to look at some way of getting China on board which is in the sense a new negotiation, maybe a TPP plus arrangement. Maybe something bilateral at the end of the day with the U.S. but that would be down the track.

But whatever happens I think China, you know, is probably potentially in a better place to become part of this earlier than India. And so India sort of needs to keep that in mind. I think if China could lock itself into that framework it would certainly

prevent a range of sort of economic challenges for India. And so how India can best prepare itself for the TPP role whether or not it is formally part of it or not I think is part of how, you know, the conversations that the Prime Minister needs to start having now.

MR. ANTHOLIS: Just as a point of tying these two together, in a round table discussion where I was in in India I had mentioned something about TPP and a questioner got back to me and said look, we all understand why TPP would be good for our economy but if we move forward on TPP we bet we'll feel pressure on the border from the Chinese. And I thought, boy, that sort of conspiracy theory -- until all of the sudden they started feeling pressure on the border form the Chinese during the Modi summit, I though okay, maybe this is just a more complicated place than I though.

Neil, I guess the question to you goes to in the China-India context you mentioned that Indian students are the number two students coming to -- foreign students in the United States, and number one of course is China. And I'd be interested in just an observation or two about the differences of those two. I mean one sort of broad historical generalization is after Indian independence in '47 and the victory of the Chinese communists in the late '40s, China invested consistently in primary education and higher education sort of was the sort of poor step-child and during the cultural revolution and everything was actually gutted. And in India it was the exact opposite. Nehru had this vision of a high tech set of workers and invested in the Indian Institutes of Technology and, you know, there were 30 years or 40 years precedent to the high tech boom that was an intentional government strategy, but what got left on the back burner was primary education. Do you see that in the different composition of the college students coming to the United States from India and China? Give us a little sense of how those different -- the demographics of those two different groups.

MR. RUIZ: Yes. It's kind of just when you kind of juxtapose India and

China. You have to think of the domestic composition as well. China itself has grown domestically in its higher education, the ratio of students who are entering higher education within China, especially from 2000 and the last decade. But India itself has not. Public education has been stripped as much more demand for higher education in India. It only moved from I think 10 percent of higher education enrollment ratio to 13 percent. And this is a large growth of high tech, but yet there are not enough institutions for Indians to go to within India. So it's actually kind of interesting when you see the demographics of flows from China and India coming to the U.S. China does have a lot of STEM students going to the U.S. but largely dominated by business in particular. So China is doing a lot of good education in the STEM fields within India so a lot of them are coming to the U.S. to study business and it makes sense in terms of export/imports with a lot of business interest.

India on the other hand has a lot of students coming into the U.S. to study masters' degrees especially in the STEM fields. This anomaly of this outlier of Hyderabad is kind of fascinating because of -- at least what I've seen investigative reporters following through with the report that I released looking at what is going on there and is it connected to a lot of the IT industry or outsourcing that's going on there and the huge demand again for education in India. There are not enough opportunities. There's a lot of private higher education in India which is quite expensive. So if you juxtapose it with these schools that are no name within the U.S. but to Indians they're quite good schools so it's an opportunity. It's cheaper on average than your Carnegie ranked universities. I've looked at it and it's like about \$18,000 for an 18 month master's degree. That's not too far off of higher price than a private higher education institution within India. But then you have the opportunity to come to the U.S., to work for U.S. companies and possibly get an H-1B or stay permanently. So that costs there the



difference -- if you think about the calculation from someone from India would you go to the private Indian university or will you come to this no name school in the U.S. but an opportunity to stay on longer. So it's kind of a very different demographic because in China you do have a lot of business relations as well. A lot of MBAs come into the U.S. and a lot of those students are either staying in the U.S. or going back. And actually a lot of them are going back because a lot of opportunities for them for a lot of multinational companies that are in the U.S.

MR. ANTHOLIS: So, time for questions from the audience. Please stand up. Let us know who you are and where you're from, and if you could keep them questions, not comments, and direct them to one of the panelists here. This gentleman here in the front row.

MS. GROSS: Wolfe Gross, now an independent consultant. This question is for Tanvi. Just in the last few days went up to the Modi visit, the White House has announced the most senior dayshi in the U.S. government a little while ago as the new ambassador. Almost simultaneously the DOD has announced that it was going to put a one-star general in as the defense attaché in Delhi, and shortly before that the Chief of the Office of Defense Cooperation was on the list for one-star naval officer. What, if anything, is the upgrade of these positions going to have on the atmospherics of the visit?

MS. MADAN: I think atmospherics are important. Wolfe, as you know from your own experience, they perhaps matter more in terms of being read in India than with most other relationships. There is an expectation that -- I call it U.S. and India exceptionalism. Both countries believe they're exceptional. They expect to be treated as exceptional, and they can't understand often why they are not being upgraded to that exceptional category sometimes, or at least they feel that they're not.

So, I think this is part of the set of signals that the Obama administration is showing, and it is an opportunity for the President who in terms of his foreign policy legacy can make the argument that -- or can say at the end of his administration that he left his relationship with the world's largest democracy, as people love to say in speeches on U.S./India relations -- if he can leave this relationship better off than he received it, and it was in a pretty good state then, that this would be a major foreign policy legacy especially in terms of if he and Prime Minister Modi said that the 21st Century is the Asian century.

And I think between the various U.S. government officials visiting India fairly speedily, but starting from the outreach in the beginning from President Obama, Secretary Kerry, National Security Advisor Susan Rice to their counterparts just after the elections but also where you saw within the space of two weeks three senior administration officials: Secretary Kerry, Secretary Hagel, and Secretary Britts go to India taking major teams with them, and there have been other officials as well from the Energy Department, from Homeland Security, kind of reflecting the broad array, and now kind of these upgradations show that the administration, despite the Middle East in chaos, despite concerns about what's happening with Russia and Ukraine, wants to highlight that this relation would try to make this relationship work.

And I think, you know, we're going to wait and see how it's reciprocated, but there is a sense, I think, this might be a moment that if this government can deliver that it can actually move forward on things that for the last three years have been somewhat stalled. The Indian Foreign Minister when asked kind of what would be different in a recent press conference, in her first press conference as Foreign Minister was asked, you know, why is this government dealing with China or the U.S. different? And she said, "Because this is a stronger government."

I suspect in the case of China and perhaps the U.S. she meant it in a kind of more security will protect Indian respect, et cetera or India's status, but I think it also -- how it's seen here is this potentially with the kind of mandate that the government has and if it can get things done, this relationship can actually move forward, that there is an opportunity and desire on the Indian side, and I suspect this last round is also getting the sense from the new Indian government that they will reciprocate. I don't think these things would have happened if on those first few visits there was a sense that this was going nowhere.

MR. ANTHOLIS: Woman on the fourth row, please, on the left.

SPEAKER: Thank you. I'm Studi from Albright Stonebridge. My first question is for -- I have two questions, keep them really short. But my first is for Neil. I wanted to know if you had any thoughts on immigrants that come into the U.S. but pay into the Social Security system and don't receive any economic benefits from it. Is that something that, you know, will come up in U.S./India talks in future?

And my second question is sort of broadly to the panel. You focused on -- I mean you've spoken about (inaudible) and trade immigration and climate change, but what we've seen with Modi is that he has a focus on deals When (inaudible) visited GMO user signed within the first hour, so do you see any kind of tangible deals emerging in any of these areas that you've discussed based on recent announcements?

MR. ANTHOLIS: Neil, do you want to take the first one and then we'll --

MR. RUIZ: I'll take the first. First off, most immigrants, especially if you think about Indian immigrants coming to the U.S., they're going into high-skilled jobs and occupations, so these are -- they're paying a lot of taxes. They're also paying into the Social Security system, so it's quite a lot of money that's going into the U.S. government from a lot of high-skilled immigrants, so that's something in terms of -- I don't know if

that's going to be particularly a topic of conversation, but it's an issue that's with a lot of immigrants in the U.S. And the question is what do you do if they return back to the country of origin, if they're coming between two countries, can that be portable, and there's been a lot of conversation, I know, on portability of Social Security systems. That's something that hasn't really moved forward. It's been kind of ideas out there, but it's not something -- it's something that we should think about.

MS. MADAN: I think the emphasis on deals -- I'm sure there will be a few if nothing else to make sure that people can say got deliverables and that's what the focus will be on. But I think this is different from say the Japan visit or the China visit for a couple of reasons.

I think in some ways many of the deals have been reached over the last few years. The fact that the relationship has gone from sanctions 15 years ago to as close a relationship as it is now is significant, and a lot of deals have been signed along the way, and I think the focus over the next few months -- and that's why I said this is a beginning or perhaps just part of a key moment in the process, but looking at the process as a whole doesn't make for exciting kind of news headlines, and I suspect that's where the optics will be focused on rather than on kind of necessarily substance because that might not be as exciting.

I wouldn't be surprised, and I know that on both sides officials are trying to work till the last moment to actually get deals done, but the way it's different from China and the relationships with China and Japan is for one I think as I said a lot of deals have been made. It's about implementing them.

The low-hanging fruit have already been picked so that the deals in the next few years are going to be harder to achieve. And finally, and this goes back to the -- is kind of China and Japan and what those visits -- how they're going to play into it. One

of the things that folks have pointed out is that the U.S. can't make that \$20 billion or \$35 billion of commitment because that's now what the government does. The Chinese and Japanese governments can do that. Here it's going to be private sector driven, and that is why I think Josh has a great phrase. This is a roadshow, partly to say come and I suspect we'll hear the phrase "Make in India" once more, but also in terms of technology the fact that Modi will likely talk to Bloomberg about smart cities, et cetera. This is about investment technology, and those kinds of deals you won't necessarily get now, but you will see this visit, I think, not just what has gone in but what might be coming out of it over the next year or so.

MR. ANTHOLIS: Gentleman here in front.

SPEAKER: I have a question for Josh. You indicated the importance, you think, of increased participation in trade for India. Right now what are the opportunities for export, for Indian export?

MR. MELTZER: Well, so, I mean broadly speaking India has got a lot of opportunities. I mean we think about this globally also in terms of what it can do in terms of building out the bilateral with the United States. I think that if the Prime Minister is successful in building out a manufacturing strategy in India, there's enormous scope for India to become in a sense the next factory of the world.

China, particularly as wages in China go up, there's a lot of scope for them to fill a lot of that space, but it's going to require as I said a lot of domestic performing in order for that to become a reality, but the potential is certainly there.

I think on the services side, India's already demonstrated its significant potential to grow that sector, and there's a lot of scope for that to grow further. If you look at how the services sector started out in India which was in the sense a fairly low-skilled back-office type of work, and over time that skill sector has increased as the education

and the ability of the Indian workforce has increased as companies both in the United States but also in Europe and elsewhere have gained increasing confidence in what they can do in India. You're starting to see more high-end services through to establishing R&D facilities in India happen, and there is clearly a lot of scope to build that our further, and as I was saying I think the IT revolution and growth in Internet access and this is where some might work on cross-border data flows (inaudible) comes into it. As long as those trajectories are maintained I think there is a lot of opportunity for India in that place as well.

MR. ANTHOLIS: India is the only -- I think it's the only major economy in the world that has a services trade surplus with the United States. That is they export more services to us than we export to them, and clearly what they're trying to catch up on is manufacturing, and what was fascinating to me, and I think I mentioned I visited 6 states in 12 days. Every single one of those states is now exploring -- and many of them had already been exploring, but particular with Modi -- exports zones. You know, sort of special export zones where you can come in a do -- and they often refer to it as either Singapore style or China style. Come in. Have either foreign or local investment in a manufacturing facility where you make the stuff, and then you export it, and there are tax breaks and all kinds of other concessions like land and water and power that goes into those. And they're exploring them on the coast and they're exploring them inland, and they're really trying to promote them, and the states are all competing with one another and explaining why our state's better to do business than that state.

The other thing that was fascinating for me to see is in a couple places they're really developing ports and investing quite a lot in ports on the east coast between Chenay which is already a manufacturing hub and Colcutta which is a long manufacturing hub that's been in decline. These are two or three ports that are developing, and they're

exploring things like agriculture exports, aqua-culture, you know, shrimps and prawns. They're seeing that they can triple that number in the next five years, so it's actually all across India there's quite a diversity in the range of things that they're thinking to export, but he's very focused on this because he wants to build up a -- Modi is, you know, he wants to build up a current-account surplus. He thinks that that was a big part of China's growth strategy and he wants it.

So, in the back in the checkered shirt about seven rows back?

MR. WATSON: Hi. My name is (inaudible) Watson. I have a question for Tanvi. What do you think about (inaudible) will have Prime Minister Modi and President Obama will have a dialogue about U.S., Afghanistan, and India relationship especially with economic development and Afghanistan's current new government and Chinese enrollment in Afghanistan specifically with Shanghai Corporation?

MS. MADAN: Are there kind of two dimensions to this or rather (inaudible) U.S./India discussion. It will be a key feature of both because it is something - it's a concern that both India and the U.S. share. The U.S. has been supportive of the economic development relationship that India has with Afghanistan. There's the India/U.S./Afghanistan tri-lateral although there have been some concerns in India that they haven't been kind of too meaty discussions there needs to be revived somewhat, so you might see some of that.

I think Afghanistan has actually one area where China and the U.S. actually have a fair amount in common. All have an interest in stability. China and India's major projects there, mining projects, have actually been stalled because of security concerns. China and the U.S. all have concerns about what that kind of post-drawdown future will look like, so I think especially now that there is some sense that there's been a political agreement, you could potentially see some discussions about do

China and India, for example, now have an official dialogue on Afghanistan? The U.S. and India obviously have one with Afghanistan.

One of the key unsaid factors and it will be this is where it gets challenging because while they have an interest in stability, so the goal is the same, their ways of getting there are not necessarily the same, and the question is where and how is Pakistan going to feature in which is a key part of this. It's not just kind of a tri-lateral plus Afghanistan, but if Pakistan, Iran -- it's connected up to the larger region.

I think in terms of the Shanghai Cooperation organization it's interesting. This was very much seen. I mean India's put in a formal application, and President Chi saw this as a way to convey that -- saying that China would endorse it, so it is a way of conveying that, you know, it wants India to be part of global and will help India's entry into global organizations.

Note they didn't come out and say endorsing India a permanent seat for India at the U.N. Security Council, so the Shanghai Cooperation organization membership perhaps APEC membership eventually they might actually talk about.

For India I think there's still a debate in India about what exactly it is that SCO membership will get India. The advocates say that it will help India connect with Central Asia. It shouldn't be left out, but critics in India say that listen, this is a kind of China-Russia led semi-authoritarian group that it's not quite clear what the purpose and what India's membership would really bring. The official reaction here that you've heard, at least publicly, has been that it might be good to have India as a democracy in this grouping. It might change the flavor of things and give the other countries besides China and Russia and that group an option, an alternative to kind of look towards.

MR. ANTHOLIS: There in that third row.

MR. SHARIFF: Hi. This question is really to anyone on the panel who



can answer it, but --

MR. ANTHOLIS: Who you are and where --

MR. SHARIFF: Sorry. My name is Oman Shariff. I'm an independent consultant. And it goes back to something that Dr. Madan said about how decentralization -- one of the seven "Ds." Is there an experience that the U.S. has had in the past of dealing with another country that is similarly decentralized in the federal system where direct central government -- does central government trade or policy making isn't really an option?

MS. MADAN: Gosh, Bill wrote the book on the subject. I'm going to --

MR. ANTHOLIS: First of all, there's no country in the world like India, even China, you know, which is similar size and complexity. The formal recognition of the diversity of the Indian states and their ability to keep it together is just an extraordinary accomplishment. I mean I like to joke in the book that India's constitution is -- whereas the U.S. constitution is elegant at 7,000 words, India's constitution is sort of elephant at 150,000 words. It's twice or three times longer than my book, whereas the U.S. constitution's one chapter. That poses both opportunities and challenges for American states. China is the only place that's as big and complex unless you think about the geo-political diversity of North and South America and the European Union all added up.

In the China context what the U.S. has done is actually coordinate this at the Secretary of State-Foreign Minister Level, so Secretary Clinton and U.S. Ambassador John Huntsman had two summits with their counterparts in China that brought together governors from the United States and provincial party secretaries for China, so they all came together and had a big conference, and then the U.S. governors when they visited China went out and sort of dispersed themselves among the states and started doing

deals of one kind or another. So, Jerry Brown in Guangdong Province on clean energy and climate change, for instance, has become a real going concern.

In the U.S. context, for years governors and senators have done these sort of trade missions. Senator Warner has been a leader in the United States for this, and when he was governor he did this kind of thing, and now that he's a senator he's the -- I think he's the senate chair of the India caucus, and he's seen great opportunities in the high-tech space which is a big, important set of issues for the State of Virginia, and if there's defense cooperation I'm sure he's going to be all over that, right. I mean this is the exact kind of thing that as a governor he would be interested in doing.

It hasn't been centrally coordinated and managed in the U.S. context. With Modi as a former Indian version of chief minister, not a governor, I think there is a real opportunity there on a range of issues: economic development, clean energy and climate, educational issues. There's a whole set of things that -- transportation and infrastructure.

In the U.S., as our metro program has taught me, 50 percent of the spending for that is always at the state and local level, and a lot of the policy design comes in from Washington, but it's always adapted and decided locally because of local zoning and local traffic and all that stuff.

India has a fairly similar experience, actually quite different from China where it is much more centralized, so you have these Chinese cities look a lot more like one another in terms of how the ring road is built and where the center city is. India, it's sort of all over the place and quite complex. There could be a real set of cooperative efforts there. India has started doing that kind of thing with places like Great Britain.

With the United States it hasn't been sort of formally done at the central level. I think frankly it was a good idea not to try to load that into the first meeting

between the heads of state because they are both getting to know one another, and I think it's really important for them to establish a common bond.

In many ways Modi's own experience is quite similar to President Obama's. He was elected with enormous expectations. He's got to figure out what his team is. He's still working to do that. He's got to figure out what his policy priorities are, and he's still frankly working to figure out what to do that is, so loading a lot of that stuff up front while he's feeling his way was probably not a great idea, so I'm glad that they've sort of set the expectations where they have.

MS. MADAN: I'd just like to jump in on the learning bit which plays into both the question because it's not just the U.S. needing to learn how to deal with this kind of very diverse country that is perhaps more diverse than any other country in -- certainly large and diverse than any others, but India learning to do the same with the U.S. I mean after all for India as well, they're dealing with a large, diverse country and unlike -- I mean this relationship is unique because it involves so many actors and so many levels, and you do see now an attempt to kind of -- governors going to India, but Indian chief ministers coming here, city-to-city interaction, the private sectors get involved, and you've seen as for example Indian companies invested here. I didn't think that I would put on a news channel and see an ad for Mahindra and Mahindra Tractors in the U.S., but you do see that today, but what that has meant is those companies had to learn how to deal in a very diverse country as well. Now, in some ways the fact that Indians and American companies and politicians know how to deal with diversity in their own countries can potentially help as well. It makes implementation challenging.

The other thing about learning kind of on a more personal level, I think this is -- you see that Prime Minister Modi is aware that in some ways he doesn't want to get to the point where the expectations are left unmet, that all the stock of hope that

doesn't actually meet expectations and that there is a danger of that, and one good way of actually seeing that is not just in his speeches where he says, "It's not just expectations and hope. I have to deliver." You also see this if you go to his website. He has a section called -- it used to be called hope, and now it's called hope in action because there is a realization based on looking at experiences, including those of President Obama, that that action part will -- all this foreign policy, all these kind of competitive courting will not be possible for India to take advantage of if that action part doesn't get delivered.

MR. ANTHOLIS: In the back there's a gentleman with his hand up on the left side. Thank you.

SPEAKER: My name is Kumar and I'm in business. India is almost dead last in terms of ease of doing business, and I understand in (inaudible) Modi first came to bureaucracy before big-bang reforms occurred and (inaudible) took off. Do you think he's following the same policy at the center?

MR. ANTHOLIS: He's definitely -- I'll take this one, and I think Congressman Engel's here, so I'll do this one quickly. He's definitely sending that message, but he faces a fork in the road, and as a New York Yankees fan and a Yogi -- famously phrased Yogi Berra fan, "When you come to a fork in the road, you take it." On the one hand he's saying we're going to make ease of doing business a priority, and on the central bureaucracy which he controls he is hammering that home. Get things done. Don't get stuck in the red tape. Red carpet, not red tape.

On the other hand, a lot of the action still happens in the states, and the BJP only controls five states, so his direct ability to go to people who are part of his party is limited to a relatively small part of India, and the states that matter, at least in terms of the immediate ability to do manufacturing which is his critical agenda -- Goodera is

controlled by his state. Maharastra is not controlled by his party. Tomulnod is not controlled by his party. Colcatta is not controlled by his party. Hydrabod is not controlled by his party. The main manufacturing parts of India are not controlled by his party, so that's his challenge moving forward, and with that I'm going to turn it over to Strobe Talbott and Congressman Engel. (Applause)

CONVERSATION WITH THE HONORABLE ELIOT ENGEL

MR. TALBOTT: Now we have a chance to continue the conversation, and I'm glad I got at least a few minutes towards the end of the -- at least the last panel that Antholis and Tanvi were involved in. We now have a chance to hear from a member of the United States Congress who I've had the pleasure to knowing and working with since the early '90s when I came into the Executive Branch. (inaudible) 25 years. Is that possible?

MR. ENGEL: Twenty-six.

MR. TALBOTT: But who's counting, right? And Congressman Engel, as I think you all know, is the ranking member of House Foreign Affairs Committee. He was a founder of the Congressional India Caucus. He has been paying very, very close attention to the evolution of the U.S./India relationship, and I can say as somebody who was involved from the administration back in the '90s, he was a good friend to India and a very wise counselor to those of us who were (inaudible 00:28:08) nurture that relationship, and so thank you so much for being with us, Congressman.

MR. ENGEL: Thank you.

MR. TALBOTT: There was in the earlier part of this conference quite a bit of discussion about the changing geo-politics if I can put it that way of East Asia and particularly as it relates to South Asia. You've recently been down in Australia and New Zealand. Did the issue of India/Chinese relations come up very much? And I know that -

- of course everybody knows that Prime Minister Modi has found several venues to express his concern about certain aspects of Chinese policy in the (inaudible). How much did that figure in your latest trip?

MR. ENGEL: First of all, thank you very much. It's an honor to be here and hello to everybody out there. And let me first say, Strobe, that I've long admired your work when you were part of the administration. You were not only someone that we all felt was hard working and competent, but you also were a very nice person, and I'm a big believer in those two combinations are very, very good, and we appreciate the way you always handled yourselves and conducted yourself and it was always something that those of us who were in Congress knew that when we needed to call you, you were always available and there and very much appreciated. I've always had great admiration for you personally. Thank you.

And let me say that when we formed the India Caucus I guess it was 1994 or something like that, we were just a few of us, but I have always felt -- I came to Congress in 1988. I joined the Foreign Affairs Committee January of '89. It was the first committee to which I belonged, and now I'm ranking member on the committee. I have always felt that the U.S./India relationship was an important relationship for so many reasons.

We talk about democracy. We're both democracies. We always say it's sort of a (inaudible 00:30:30) statement but it's true that the United States is the oldest democracy and India is the largest democracy. When we looked at the Indian elections where Modi won it was the largest amount of participation in any democracy or democratic elections in the history of humankind, and despite some of the strains in our relationship, and frankly those strains are something that I never quite fully understood because it seemed to me and seems to me that India and the U.S. are natural allies,

should be natural allies, and during the battles of the Cold War when India had good relations with the Soviet Union there seemed to be a strain that we could never quite get close to India because they were close to the Soviets, but with the collapse of the Soviet Union I thought then it gave both countries a great opportunity to move into the future.

And there's another aspect of it and that is the very significant and growing Indian/American population in the United States coming from New York and coming from communities in New York, many immigrant communities, New York is the center of (inaudible) community.

I have always found that hyphenated Americans have forged great ties between their home country and their adopted country, the United States, and makes the ties get even stronger and grow because of people who come from one country and now live in the United States. And the reasons I'm pro-immigration is because I think that by and large people who come to the United States are the best and the brightest. Lazy people -- I always say and it always gets a chuckle at home, lazy people can stay home, but industrious people don't. They pick up. They leave their country. They come to the United States. They take a great chance and risk, but it's the type of personality of people that want to come.

And the Indian/American community is among the forefront of very highly educated, very highly motivated, and so I just think it's a natural, and when you talk about China and my trip to Australia and New Zealand, yeah, I think that while there are many reasons for us to be friendly and close with India, I think that there is some kind of eye on China, and what's happening on China while the United States wants to and should strive to have good relations with China, I think that India and the U.S. both being democracies have frankly a lot more in common. And I think that India casts a little bit of wary eye to China, and the United States and China, of course, relations are much better than they

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were 20 and 30 and 40 years ago, but there's still a little bit of rivalry there. China's building its military.

I just think it's a natural alliance for the United States and India, and it frustrates me to no end that irritants seem to be creeping up all the time; silly things, I think, that may impede close U.S. and India ties.

So, in Australia and in New Zealand there is some weariness about China; the feeling that it's natural that they would have a closer relations with India. There was something announced when we were there about working with Japan, India, the United States, and Australia in military partnership, and I think that because Australia and New Zealand are so close to Asia that it's just natural that they're really on top of these things. So, I just think there are lots of possibilities.

I'm excited that Modi is coming to town. I'm going to meet with him. Next week in New York there's going to be a big rally at Madison Square Garden with the Indian/American community. It's going to be (inaudible) to see him and interact with him in a huge platform with thousands of people, and then I'm invited to several small meetings with him as well, so I'm really excited about it.

MR. TALBOTT: Since you know President Obama very well, too, what do you think is the most, the best that we can hope for coming out of their -- as they build a personal relationship?

MR. ENGEL: Well, as you know, personal relationships are important. I really, through history, through time -- it can really change the course of history, and I'm hoping, you know, they say first impressions are the first impressions, and I'm hoping that the first impression that both Obama and Modi have of each other are good, and I hope that any kind of past irritants or past peaks of annoyance are put away because I just think this is a great opportunity.



I think there is such pride, first of all, I've seen in the Indian/American community with Modi. I think that this great opportunity for our countries to really work closely together, and I believe that Obama and Modi will have a good meeting and a good relationship and things will move in a positive direction. There's really no reason for it not to. I mean there is no reason.

We had this spat with the Indian diplomat who was hiring help and we had the whole thing. To me it just seemed -- I don't want to belittle it by saying much ado about nothing, but it just seemed like it was -- it took too much of our space in the U.S./India relationship. It took too much time. It was emphasized too much, and I really, really think it should have been just a small little blip on a larger screen, a large relationship where we want to -- both sides really want to bring people together.

I want to tell you that one of the most moving things that I've done in my 26 years in Congress was in 1997. I traveled with a group from the Foreign Affairs Committee to India, and we sat in Delhi in the Parliament at midnight in 1997 which was the 50th anniversary of India's independence at that time, and the gong, the clock, struck midnight and the going was there 50 years to the second of India's independence, and it was really something of all the places I've traveled that I remember very well.

MR. TALBOTT: You've referred twice to the irritants in general and once to a specific one involving the consular officer. It's my impression that while it was sort of a perfect storm in a bad way, there was a lot of good work done quietly including by Ambassador (inaudible) State Department and they seemed to put it behind them. Is that your impression as well?

MR. ENGEL: Yes, because newspapers love to play it up, and it seemed to at some point go out of hand, and there was a lot of quiet diplomacy in the background to put it behind us, and yes, I think it was --

MR. TALBOTT: As a former journalist I must say that I find the Indian press lively to an extent that just makes the American press look tame.

MR. ENGEL: Well, again, it's a democracy and that's again, I want to keep stressing why the United States and India have so much in common and should strive to make relations as good as possible.

MR. TALBOTT: Well, you, of course, are also very closely in touch with the private sector here in the United States and have done a lot to help advance the economic and commercial relationship between (inaudible). I sense that there's still some frustration on both sides there, and Prime Minister Modi came to office with a great deal of support from the Indian (inaudible) that is representing an opportunity to really take the economic relationship to a new level?

MR. ENGEL: I do and I hope that gets back to the question you asked about Obama and Modi. I think that will be a large part of what they discuss, and I think it should be. I think that both countries need to concentrate on improving their relationships. While you have -- the countries -- we mentioned China. We mentioned Australia. We didn't mention some of the others, but I think the U.S. and India have a lot to talk about, and I really hope that there will be a new trail blazed, and I think that they will spend a great of their time talking about economic (inaudible) and things like that to enhance our countries.

MR. TALBOTT: Well, when we were waiting to come in we talked briefly but windedly about the situation in the Middle East and particularly the threat of terrorism in general and Isis in particular. Would you share my view that there is room for increased partnership between India and the United States on what (inaudible) Asia (inaudible) call the Middle East particularly since India itself has been a victim of terrible acts of (inaudible), but there doesn't seem to be yet a great deal of diplomatic accord not

just on perceptions but on action.

MR. ENGEL: Well, yes, I think that international terrorism is the scourge of the world. It's not confined to one area, although it predominates in the Middle East, but it can go all over. I mean we unfortunately have had attacks in New York and the Pentagon on September 11th, attacks in Bali. You've had certainly in Mumbai and other places, and these various terror groups, whether it's Hezbollah or Isis or Hamas or Al-Shabab or you name it. I could keep naming them, they all have one thing in common. They want to use terror to further their political aims, and a country like India, as you mentioned, has lived through a lot of it, and I think ultimately this is the big issue of the 21st Century. It's how to combat the scourge of terrorism, and no nation is immune, and we need every nation's help because we can't do it alone, and everyone knows just last night the bombings in Syria began.

And a lot of us in Congress who supported -- I voted to support the President in training the Syrian rebels, but one of the things that I and others have stated, it cannot only every time be the United States doing it and everybody sort of following, and the United States sort of always the one in the forefront. Yes, we have the know-how and yes, we have the ability, but it has to be a partnership by all the countries of the world or almost all the countries of the world because terror knows no boundaries, and terror by its very nature is frightening and strikes at innocent civilians because that's how they use their terror.

So, it's not where -- we may have thought in America -- and I think we did until September 11, 2001, that the Atlantic Ocean and the Pacific Ocean protected us, and that whatever happened over there was over there. It was on another continent in another part of the world, it wouldn't affect us, and we saw really how vulnerable we were on September 11th with virtually very little money and a well-thought out and planned out

plot, we had 3,000 of our countrymen and women murdered in cold blood while we were sitting here.

Various terrorist organizations are plotting and planning ways to disrupt by terror and nobody's immune. It could happen anywhere. It could happen in Washington, New York, Delhi, Mumbai, you name it. I can name every city in the world, and so I think that there is also room for cooperation between the U.S. and India in this regard as well.

And again, India, because it's second, I think, in population, projected to become first in population, in the not too distant future, India's a natural, and India's a natural for lots of things.

We didn't mention about -- I'm going to mention it. We have the U.N. Security Council meeting in New York starting tomorrow. I was just in New York running around to a series of meetings with some of the world leaders. There has been talk of India becoming a permanent member of the Security Council. I think if the Security Council is ever going to expand, India would be a natural member for that expansion.

You know, the problem with the U.N. Security Council is it's locked into 1945. 1945 is when it was put up where there would be five permanent members, and that was the world in 1945. The world has changed a lot in 70 years. Lots of countries that stake claim to wanting permanent membership, India being one of those, and my personal belief is that a number of countries should be considered, but I think India should be a lock for that.

MR. TALBOTT: I agree that that reform is necessary from my own time in the State Department. It felt like the problem from hell. In other words, unlocking that lock is very hard, and I suspect you would agree that we need to do everything we can with the bilateral relationship and (inaudible) money now that that's been there, so we

can't wait for such time as they'll be (inaudible) with the Security Council.

MR. ENGEL: No, the bilateral relationship, we can do that on our own. We don't have to wait for any other nation except of course for India, and I just think it makes sense, and if I had my druthers we would really make it a major priority in our foreign policy. India, of course, is a nuclear power. Over a billion population -- way over a billion population and you just see the change.

Of course, India is going through a lot of things that other countries are going through. There is increasingly a large gap between the poor and the very wealthy. That's something that a lot of countries are going through, even our own, but it's probably very profound in India.

But there are lots of bilateral negotiations and things that we should and could come up with, and as I said before, it has long frustrated me that I think we haven't made more progress up until now. (inaudible) should. It's good for both countries. It makes sense, and I hope again that when Obama and Modi meet they have a personal chemistry which will help accelerate things in the direction we'd all like to see.

MR. TALBOTT: It's very good of you to end on that upbeat which seems to be justified by all the signals that we're hearing, and we promise to let you go by 12:30, but thank you so much for joining us, and please join me in thanking (inaudible).

MR. ENGEL: Thank you. My pleasure. Thank you. (Applause)

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