

CHAPTER ONE

JIGSAW: COUNTING TO 1.3 BILLION

ONE THIRD OF humanity is governed from two capitals, Beijing and New Delhi.

People who work in finance often speak of the magic of large numbers. The same applies to politics. To manage the biggest challenges facing the planet, China and India must be at the table. Steering the world economy, combating poverty, slowing global warming, preventing nuclear war—these are big and hard problems. You cannot get there from here without going through these two giants.

Yet few in Western foreign policy circles think about the dark magic of large numbers: what it takes to move two seemingly self-contained worlds. Connecting China's 1.3 and India's 1.2 billion people to the global economy—or protecting them from it—is no small task. And moving those billions to address common global challenges is even harder.

Imagine the challenge of solving a jigsaw puzzle made up of 1.3 billion unique pieces. Start with the population of the United States. Add Mexico, Brazil, and the rest of North and South America. Then add 500 million people living in the European Union. That is about 1.3 billion.¹

India's seven biggest states have the combined population of about 740 million people. That is the same as the combined

population of the seven largest industrial democracies: the United States, Japan, Germany, Great Britain, France, Italy, and Canada—also known as the G-7. China’s seven biggest provinces are nearly as large. Few Americans can name the seven largest Chinese provinces or Indian states, let alone who governs them and what they care about. That includes many senior foreign policy professionals, political leaders, and business leaders.

By comparison, American and European diplomats, politicians, and business leaders intuitively understand federal politics and the big differences between American federalism and Europe’s confederal union. They know how the Electoral College chooses the U.S. president—including the role of red states, blue states, and swing states. They know that while all states have Republicans and Democrats, each state has its own priorities and prejudices. They know that Senate voting blocs shape treaties and military spending, and that New York, Texas, California, and Illinois bring different strengths to our national economy.

Trade negotiators know the basics. Senators from Iowa care about corn subsidies. House members from northern California care about intellectual property. Governors and senators from West Virginia, Louisiana, and Texas will fight efforts to regulate greenhouse gases. All of these officials face crosscutting economic pressures and complex public attitudes within their states. Counterparts in Europe face similar puzzles but have an even more difficult challenge since the European Union’s system is more decentralized and therefore more cumbersome.

This book is for people who wonder about the inside of China and India, and how different local perspectives inside those countries shape actions outside their borders. Though my family and I spent five months traveling in both countries to do research, this book is not a travelogue. Rather, it is an attempt to sketch how a few of China’s and India’s many component parts are being shaped by global forces—and in turn are shaping those forces—and what that means for Americans and Europeans conducting diplomacy and doing business there.

FIVE MONTHS, FOUR PEOPLE, THREE QUESTIONS

As my wife Kristen, my daughters Annika and Kyri, and I traveled across China and India in early 2012, we asked three simple questions: How do Chinese provinces and Indian states work? How do they blend local and national priorities and value systems? How do they view some major global issues? I addressed these questions to government officials, political leaders, business people, journalists, academics, and nongovernmental groups. But our whole family also asked the same questions of tour guides, taxi drivers, schoolteachers, and waiters.

Some locals seemed surprised by these questions. In Beijing and New Delhi, in Shanghai and Mumbai, in Chennai and Chengdu, in Ahmadabad and Hangzhou, I would get the same response: “Why do you care?”

I told them about my own small role, working in America’s federal system. Over a decade ago, I served with the U.S. State Department’s policy planning staff and then with the White House National Security staff. I helped prepare Secretary of State Warren Christopher and President Bill Clinton for dozens of meetings with foreign leaders. In addition, I worked on World Trade Organization trade talks, two G-7 summits, and climate change negotiations at Kyoto and Buenos Aires. The voices of senators or members of Congress from various states were a persistent reminder of the United States’ federal politics. At the White House, in particular, we spent as much time negotiating domestically as we did internationally.

I also reminded my Chinese and Indian acquaintances about President Clinton and his own “provincial” past. Roughly twenty years ago, he moved into the White House having served as governor of a small, landlocked, largely agricultural state with high unemployment. As the first president inaugurated after the end of the cold war, he became the first American leader to speak of the promise and the challenges of globalization. His geographic

background was not his destiny, but his outlook was very much shaped by where he was from.

That president often successfully navigated America's federal system. As governor of Arkansas, he had led trade missions, including in support of Wal-Mart, a local Arkansas company that would become America's and the world's largest retailer. As president of the United States, Clinton assembled coalitions of senators to balance the national budget and to negotiate key trade pacts such as the North American Free Trade Agreement and the launch of the World Trade Organization. His bipartisan successes involved quilting together interests from a range of very different states.

At other times, he was unable to break domestic gridlock on nuclear weapons talks, trade deals, and a global climate change treaty. Regarding climate change, for instance, I witnessed Democratic senators from West Virginia, Louisiana, Nebraska, and Missouri join with Republicans to help kill a national approach to protect the climate. To this day, that stalemate still exists, and it still crosses party lines. That is federalism at work—or not.

Nonetheless, innovative state-level successes also have defied party lines. In the last decade, Republican governors named Schwarzenegger, Pataki, and Romney actually signed state-level climate change laws. Like President Clinton, these governors had priorities shaped by where they came from.

Europe's own confederal experiment in sharing sovereignty faces its own challenges—ones that are crucial to the health of the global economy. Europe continues to produce breakthrough industrial innovations in telecommunications, automobiles, high-speed rail, and renewable energy. Yet the European Union's finances are a wreck, and it is facing a major crisis about what richer, northern members such as Germany, the Netherlands, and Finland owe to Italy, Spain, and Greece—and vice versa.²

Establishing and maintaining unified political systems across a continent and across multiple and common belief systems is hard work. When the phrase *E Pluribus Unum*—"from many, one"—first

appeared on the Great Seal of the United States in 1782, it was as much a hope as a statement of fact. Forging *unum* out of *pluribus* often requires crafting compromises or forcing odd coalitions. Our leaders often fail to put all the pieces together. Sometimes politics moves the process backward—the *unum* becomes *pluribus*, and the whole becomes less than the sum of its parts. But occasionally we do find a common good and reach a new consensus.

CHINA AND INDIA: FROM ONE, MANY

Americans and Europeans engaging with India and China cannot afford to treat these countries as monoliths. What happens outside Beijing and New Delhi is essential to those countries' economic and political futures, and also often directly critical to the West's future as well. So how do things work in each place? How does each country perform those acts of compromise or synthesis? When and how and why do they fail? And who are their internal regional leaders? Who might become the next Bill Clinton or George W. Bush—perhaps a former local leader who brings some of his or her region's views to the nation's capital? Again, geography is not destiny: Clinton and Bush were from neighboring states, yet each brought a very different philosophy to Washington. Still, their backgrounds did shape each of them in important ways.

To many professional diplomats and policymakers, China and India seem opaque internally. In political science jargon, both nation-states are often described as “unitary self-interested agents.” Realist scholars of international affairs helped to shape this view by focusing on the core economic and strategic interests of nations. More recently, other students of world politics have interpreted national behavior using microeconomic theory and rational choice theory, assuming that states act the same way self-interested individuals would—as if nations had one mind and one interest.

There are good reasons for applying these assumptions to China and India. It is no accident that diplomats use “Beijing” for China or “New Delhi” for India. Both have streamlined foreign policy

systems: in neither country does the parliament play a major role in foreign policy. Central governments are more powerful than in the United States or Europe. As a result, there is a tendency to think that if one could simply convince central leaders of their own nation's interest, a single centralized key will unlock their enormous systems.

Of course, the reality is far different. The politics between central and local forces in these places may differ from those of the West, but they are no less complicated. In neither country is the central government completely in charge. In both India's multiparty democracy and China's one-party "people's republic," a multicolored map exists that delineates not only territorial units but also multiple conceptions of the good life that need to be reconciled.

The power outside of their capitals has expanded dramatically in recent decades. Local governments have stepped forward, with global implications. Subnational leaders, in charge of country-sized jurisdictions, now drive economic development. They make critical decisions about energy and natural resources. Their jurisdictions are the proving ground for the rule of law—or lack of it. The most economically advanced and wealthy places have begun to emerge into the world's awareness. Real challenges exist in the poorer or emerging provinces, but even there, success stories exist.

It is not just that these places are diverse. Local leaders are truly starting to lead, moving these countries toward change from the inside out. And local leaders are becoming national leaders.

In coastal China's fast-growing Guangdong province, former party secretary Wang Yang just oversaw a decade of sizzling growth. He helped harness the global economy while also streamlining government, protecting intellectual property, and cutting greenhouse gases. He was just promoted to vice premier, and some hope he will head China someday. Still, his experiments in political and economic reform struck others in China as too much, too soon.

In India's state of Gujarat, Chief Minister Narendra Modi earned a reputation for bold leadership. He has overseen a decade of prosperity and has directed one of India's most effective bureaucracies.

Some Indians hope he might run the country someday. Yet his path to becoming prime minister is not assured. He is loathed by many who see him as, among other things, a Hindu communalist who steered murderous anti-Muslim riots and who might bring India to war with Pakistan.

In India's Bihar state and China's Chongqing province, local leaders became national celebrities by fighting corruption and tackling poverty. Bihar's chief minister Nitish Kumar and Chongqing's former party secretary Bo Xilai each aggressively prosecuted local hoodlums. Each used the very visible hand of state-led investment to bring dramatic economic growth. Yet they did so in very different ways. Nitish Kumar has few peers in India for being an upright administrator and has become a model for addressing India's endemic poverty. But his chances to someday run India are complicated by the narrow reach of his Janata Dal (United) political party, which is based largely in Bihar and is only India's fifth-largest party. Bo Xilai's career came to a crashing halt when Bo, his wife, and a top lieutenant were caught in a web of corruption and murder.

The impact of these leaders can be global. They can promote critical trade, investment, clean energy, and nuclear safety initiatives. Successful cooperation with foreign countries and companies is often anchored in a few select states or provinces. Yet states or provinces can also stall passage or fail to implement agreements. In both countries—in different ways—local strategies make it harder for Beijing and New Delhi to lead.

Given this context, American and European politicians, business leaders, media, and a range of civil society organizations must be more nimble and nuanced in dealing with emerging giants than traditional mental maps would suggest. Westerners must take local politics more seriously as a global matter and significantly revise how they organize and think about the conduct of global affairs.

The stakes are enormous. Taken together, India, China, the European Union, and the United States are home to half of the world's people, two-thirds of the world's economic activity,

two-thirds of the world's greenhouse gases, and two-thirds of all nuclear power. Together the economic rise of China and India in the last twenty years has lifted at least half a billion people out of poverty.³ In the next twenty years, those two nations are likely to become the largest and third-largest economies, respectively. Already, they are the largest and third-largest emitters of greenhouse gases on an annual basis. Furthermore, both countries have large stockpiles of nuclear weapons.

The rise of local leadership has led many to worry that a central leadership vacuum exists within the four great continent-wide unions. This may have led to greater economic dynamism locally, but it does pose huge barriers to cooperation on global challenges.⁴

This volume does not pretend to do the impossible by describing the full range of local experiences in either country. Instead, it focuses on a few critical places where innovation is happening. In addition to providing a mental map for China's provinces and India's states, this book also will try to give a glimpse into the promise and problems of local control. It describes what drives these places and their political leaders—either toward the global economy or away from it. After examining a few key locales, it then looks at energy politics and policy in both places, from the inside out.

China's provincial experimentation has transformed the world economy for the better. India's local leaders are making some of the world's most dramatic advances in human development. Yet India's paralyzed federal politics and China's authoritarian efforts to control its provinces also will be a central plot line as each nation evolves. These issues also will make it more difficult for them to lead on global challenges. Americans and Europeans need to start learning how to work with local leaders if they are going to address their own national priorities with these countries—not to mention global priorities.