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P R O C E E D I N G S

MR. JAISHANKAR: Thank you. Good morning, everyone. Welcome to Brookings. My name is Dhruva Jaishankar. I'm a fellow in Foreign Policy at Brookings India.

Many of you may know this already, but Brookings India is one three overseas centers of the Brookings Institution. It was founded five years ago, and now includes a staff of about 25 people working in three broad areas, in economic development, in energy and on foreign policy.

And it's a real privilege to be here in Washington with my colleagues at Brookings and Brookings India, who I'll introduce in a minute, to discuss India's role in a changing world.

Why are we talking about India? Well, India as some of you may know, India surpassed France this year to be the world's sixth largest economy, it will, either this year or next year, become the world's fifth largest economy. It has the largest standing military of any country, it's a nuclear power, it has a blue-water navy, and it's playing a growing role also in the Indian Ocean region in Southeast Asia, and the Middle East, and Afghanistan, amongst other places.

India is also, increasingly, globally integrated. It is by some measures the world's largest arms importer. It has the second largest number of Internet users, it is the third largest energy importer, and there's also, the people-to-people exchanges are also increasing, not just with the United States, but with many other parts of the world.

It has the world's largest diaspora, it has the second largest number of overseas students, and so we have an India that's changing, that's playing a more active role, in many ways, on the global stage.

But equally, India has a fair number of challenges. It may be an

increasingly rich country. A new book out by a former international journalist, James Crabtree, called "The Billionaire Raj," highlights how India has the fourth largest number of billionaires of any country in the world, but it also has the world's largest number of poor people. And in some ways that highlights the dichotomy and the paradox that is India.

Another statistic I like to cite is India is the second-most online country in the world, but it's also the most offline country in the world. It has the largest number of people without access to the Internet.

At the same time India also faces a large number of very tough administrative and military reforms, as it transitions from being what has historically been a much more inward-looking country, to a much more outward-looking country. And it inhabits a very tough neighborhood.

It has very large territorial disputes with Pakistan and with China, and it's facing intensifying security competition in its immediate neighborhood in the Indian Ocean Region.

So, for the United States, India is one of those countries that has always been important but never urgent, and this is something that successive administrations, starting perhaps from the Clinton administration onwards, have had to wrestle with.

It is not a U.S. ally on whom there's a security -- there's an expectation of a security guarantee, unlike NATO or Japan or South Korea, nor is it, historically, in an adversarial relationship like, for example, China, Russia, Iran or North Korea. And so for that reason it's often hard to get attention here in Washington for the relationship with India.

That being said, it's encouraging to see such a large number of people here, and we are very fortunate to have what someone described as, an all-star panel, to discuss India's engagements in a changing world.

I'll briefly introduce them. To my immediate right my colleague, Tanvi

Madan, who is a fellow here at Brookings, at the Brookings Institution, and director of the India Project.

Josh White, to my far right, who is a professor across the street at Johns Hopkins SAIS, and he's also a nonresident fellow here at the Brookings Institution, and previously served as director in the National Security Council for South Asia in the Obama administration.

And then to my left is my colleague at Brookings India, Constantino Xavier, he's a fellow in Foreign Policy studies at Brookings India who specialized, amongst other things, on India's role -- India's relationship in its neighborhood, and on India-Europe relations.

What I'm going to do is, over the next 20 minutes or so, I'm going to have a few questions I'll pose to all three of the panelists on a variety of issues, and then I hope to bring all of you in, in the form of questions and comments from the floor.

And what I thought I'd do is start off from the sort of inside-out look, so to start off domestically, and then look at the broader strategic picture.

So turning first to Tanvi, India is set for a general election, sometime in the next six to eight months by -- most likely by spring of 2019. This will be the end of Narendra Modi's first term, five-year term, and we are in some ways already in election mode in India. Tell us a little bit about what's happening domestically, and how this might possibly impact India's external orientation?

MS. MADAN: Thanks, Dhruva. And before I start, I just want to acknowledge somebody in the room, Steve Cohen, who is sitting here, our interest in our program on India and south Asia at Brookings would not exist without him, and I can arguably say at least three out of four of us would not be where we are today if it wasn't for him.

So, thank you, Steve. And please join me in just giving Steve a very --

(Applause)

MS. MADAN: I'm now going to something Dhruva asked about which was: election season. As many of you probably know, India is scheduled to go to the pools by April or May next year, and the debate is whether kind of on that general election, the national election, is whether Prime Minister Modi's popularity that is reflected in what we in the opinion polls can really lead the ruling Bharatiya Janata Party to reelection.

Or whether the opposition can coalesce, the opposition being not just the Congress Party, but a range of kind of especially regional parties can coalesce, it doesn't have to be -- nationally it could in particular key states, and either defeat the BJP, or at the very least kind of reduce the majority.

And the moment the jury is out on that, but it seems more competitive than it would have seemed even a year ago according to most analysts.

In some ways we are though, already in election season. Some people say India is always in election season, but one of the reasons we are kind of already in election season, is ahead of those polls, there are going to be elections in three crucial states. In India where the BJP is the incumbent, and so those states which are going to go to the polls in December/January, is a question of whether there will be bellwether elections or not.

How does this all impact foreign policy? I mean, there's a whole range of issues where you can look at how kind of external developments can affect kind of the Indian domestic political debate, et cetera, or kind of Modi's elections prospects, including crises, oil prices, and developments like that.

I'm not going to talk about that, I'm going to talk about just kind of Dhruva asked about which is: who does the election -- or how could the election impact foreign

policy? We don't, by the way, have sufficient evidence that most Indians vote on foreign policy issues broadly, but I'm going to lay out five areas where at very least election season could have an impact, or in some cases has already had an impact on kind of Indian foreign and security policy.

I'd say the first is defense procurement; we often talk about kind of defense deals potentially with the U.S., others building Indian defense capacity, particularly given a rise in China, and uncertainties related to that. That India needs to kind build its -- modernize its defense capabilities, et cetera.

Having said that, for two reasons, there will be an impact, we've already seen an impact on defense procurement. One is the defense deals as we are seeing with the defense, the deal with France to purchase Rafale aircraft, which that we are seeing kind of defense deals come under scrutiny, and it's essentially has got to add to the slowdown in what is generally a slow system anywhere for procurement. Everything comes under scrutiny, deals are called into question, they've essentially become political footballs.

Second is the defense budget, there's been concern about the kind of limited increase in India's defense budget, but particularly on kind of capital outlays. And again, usually in an election year when the government is more, in a kind of a couple of years leading into the election, you're going to see the government spend more on social programs, other areas where you're likely to see more of a return in terms of political benefits.

We've already seen this year, that the increase in capital outlays was 8 percent, which most people have said, is not going to be enough for what India needs.

Second, economic policy which has very much become a part of foreign policy, if you look at some of the reforms in terms of opening up, that would have India's foreign relations with a number of countries, greater liberalization, we are unlikely to see

major moves now for the next year. Things are essentially going to stall.

I think particularly in one area, which is India's approach to trade, it really needs a reassessment, and we are unlikely to see that because it gets -- it does become a domestic political issue in India.

A third area or rather the third area is kind of the larger neighbors which is China and Pakistan. China has already become a political issue, and what the government can do or not do with China will be shaped by the fact that each side has essentially been accusing the other of being soft on China.

Similarly, kind of, on Pakistan, any inclination that Prime Minister Modi might have to reciprocate what Imran Kahn, the new government in Pakistan under Imran Khan, kind of had some outreach, it will shape kind of, Prime Minister Modi's options, the fact that he's got elections. And he is still kind of -- he's still sensitive to the criticism that he rushed too far and fast with Nawaz Sharif, and was kind of rewarded with an attack in Pathankot. So, he will be keeping that in the back of his mind.

Having said that, if he decides he wants to play that bigger role, he could potentially make the argument that it's good for India and Indian economy in the long term.

Finally, or actually fourth, and I should add this because it was added later, so it wasn't finally; is India's smaller neighbors. This is where kind of Sri Lanka, Nepal and Bangladesh, relations with them -- which Tino is going to talk about -- has been affected in the past by domestic politics in the states around them.

So, with Sri Lanka, with Tamil Nadu; with Bangladesh, West Bengal, and now we are seeing it in India's Northeast, particularly Assam, and with Nepal kind of domestic politics in the bordering state in Uttar Pradesh, which tend to affect it. So, what India can do with these countries will be shaped by what the government decides it needs to do in domestic, political -- in the space in the run up to the elections.

Finally, I would say the U.S. Parties in power in India tend to favor a deepening of -- when they are in government, it's all about deepening relations with the U.S. When they're opposition, they complain and criticize that very deepening, and we've seen this, this is very consistent. The BJP, for example, criticized and opposed the Nuclear Deal, now it's been very much moving further and faster with the U.S.

In practice what we've seen though, is since '99, this has been a deepening relationship. But having said that, there's been little doubt that over, kind of the last few years, the run rate in the relationship has picked up with an assist from China.

And I apologize for mixing my sports metaphors, but essentially relations with the U.S. have moved further and faster, particularly after the slowdown in momentum in the last few years of the previous government.

And the question will be, is do we see, depending on who comes to power next year, whether Prime Minister Modi gets reelected, whether he has to have a coalition, whether there's other parties coming back; do we see the same momentum particularly in the defense and security space?

One good, positive aspect is you do see as this deepening continues, the domestic, political kind of backlash against a deepening of its relationship has reduced.

Compare, for example, the kind of complaining and criticism of, when the U.S. and India signed the LEMOA, the Logistic Sharing Agreement, so now these past few weeks India is signing the COMCASA, the Communications and Information Sharing Agreement. It was the dog that didn't bark. We haven't really seen criticism on that front. So, I'll stop there.

MR. JAISHANKAR: Thanks. In some ways, it's sort of a *tour de raison* of the big issues that dominate the political space in India. And we can go into a little bit more detail.

Tino, if I can turn to you, in some ways we've seen an intensification of activity both positive and negative in India's neighborhood over the last few years, and that will probably keep up over the next few months, we have elections coming up in several countries, the Maldives, Bhutan, Bangladesh, and then next year in Sri Lanka as well. Nepal has just had a transition, a new government and which is creating its own set of dynamics.

So, how would you say India has now -- or what are the new dynamics in India's new neighborhood, particularly Bangladesh, Nepal, Sri Lanka, and maybe to a lesser degree Bhutan and Maldives? What are the key factors shaping those?

MR. XAVIER: So, I mean, what's most interesting is that, traditionally, as Tanvi mentioned, Pakistan figures very high during election periods and election campaigns, China may be making a bit of an entry also, occasionally, but for the first time, now that we are coming into an election period again, the government is being judged also on its neighborhood policy, basically on its relations, with its small state neighbors.

This includes Nepal, Sri Lanka, Bhutan, Bangladesh, and the relations with Myanmar to the east, following the government's approach, which is called look east, or at east to connect with Southeast Asia.

But for the first time actually, you have an emphasis now on evaluating what the government has done in the neighborhood. And while the past, you know, foreign policy was sort of a wishy-washy thing, and maintains -- and maybe it still is, and what is the state of the relations, and you'll have very concrete indicators to assess what the government has done; for the first time you have a very concrete indicator to evaluate what the government is and is not doing, which is a level of connectivity within India and its neighboring countries, which is really the next big game you're seeing in the region.

India is trying to actively reach out to create interdependence with its

neighbors, to connect through physical infrastructure, roads, ports, with its neighboring countries, countries which it has neglected often for decades, right, and really ignored often including their request for developmental support.

So, that's very interesting, and you are starting to see a very interesting debate within Delhi, and no surprise, one of the main reasons why this is shaping up as a race for connectivity in the region, is the China factor.

So, it's in many ways paradoxical that you have the Indian Government now waking up to its immediate neighbors, to its own strategic backyard, if you want to call it, because there is, you know, a competitor looking around and actually delivering quicker, faster and better than what India has done, offered to these countries.

So that's just sort of the background of why this matters, and why it matters more than ever, these are countries which really, almost with very little expertise often, even in India, people in think tanks, in scholarship, even within government tend to look at the big picture, which means the relations with Pakistan, with China, with the United States, even Southeast Asia, India as a regional power, the Indian Ocean region, but it's often immediately at this, sort of its doorstep, in South Asia that the most important strategic challenges I think are being faced by the Indian Government these days.

So very quickly, three key issues of what I see currently happening. I think first, for the first you have a government really, under Prime Minister Modi that has had a sustained neighborhood policy, in decades. And that means actually not just saying "neighborhood first", which is the main slogan of this government on the region saying, you know, we will focus first on the neighborhood, but it means actually putting in efforts to implement, to follow up on bilateral visits and relations with different countries in the region.

So, that actually is being sustained by Prime Minister Modi, I think that's a piece of good news in that sense, and has woken in that sense to its immediate periphery,

but it's still far too little and often too late, and I'll come to that in a second.

The second one is I think the intent for the first time from a strategic point of view is clear, what the region -- why the region matters.

It's no longer, let's insulate this region as our sort of economic, non-aligned block, or it's our strategic backyard, it's become one where security needs connectivity. So, until the 1990s, if you talked to Indian officials within government across a range of organizations in government, the security of India was defined as its level of insulation and separation from regions around, right?

You want it to be in your little protective cocoon in South Asia, you want to keep the Americans out, you want to keep the Chinese out, you want to keep the Brits out from the Indian Ocean at some point, the Soviets out of the Indian Ocean, but you had this idea of insulation of the region and disconnectivity was actually seen as security. So, you had a state actually dismantling connectivity of the 1940s and '50s, even in the Imperial and Colonial era.

So, paradoxically today, it's more difficult to cross several of these border than it was in the 1950s and '60s, when the whole world embraced interconnectivity, interdependence, regional integration and in the south, you saw the exact opposite. And I think that's really a challenge now.

And third, derived of these two first aspects, you have now, and India is much more open to working with other states within its own region. While the past, that it was geared towards excluding regional powers from its own region, it's much more open now to working in partnership with Japan, with the United States, with some European countries in its immediate, and sort of extended periphery, whether it's South Asia or the Indian Ocean Region.

And that's a very interesting development which is new and it speaks to

India's recognition that, you know, you have to pool efforts, you have to work with like-minded partners, that's often the code word used for Japan, for the U.S., for the other democratic powers.

Not necessarily to contain China, or to stem the Chinese offensive, but at least to create a certain sense of division of labor, a certain coordination of efforts, not to replicate efforts everyone is sort of pursuing. And in some way increasing the pressure on the Chinese to deliver more, better, and being more transparent in their own projects, infrastructure projects, which have often being accused of lack of transparency, corruption, and another big word, "debt traps" in the region, of creating leverage and politics in security of these countries, after creating economic influence in these countries.

So, just quickly, to go through the three points in slightly more detail. The first one is the abysmal level of connectivity in the region. And I make this point because it's very difficult for Europeans, Americans, East Asians, Southeast Asians, even Africans often, to understand how disconnected this region is, how difficult it is to cross borders, whether it's for capital, goods, people.

South Asia today is, according to The World Bank: the least integrated region in the world. This is a country where India trades more with Nicaragua and Central America than with its neighbor Myanmar, across its land border of 1,500 kilometers.

So, you have a variety of obstacles and barriers to connect with your neighboring countries. You have, and often as I mentioned in the past, more connectivity today with Bangladesh, former East Pakistan, you had 12 railway links in the 1960s, allowing people to cross into then East Pakistan, and then Bangladesh after '71. Today you have two railway links down from 11.

So, you have a variety of difficulties in actually implementing connectivity on the ground. The Chinese are building a railway into Nepal, at least have reached

Southern Tibet, and now are thinking of extending into Nepal, across the Himalayas, at 5, 6,000 meters of altitude. India has not been able to build a single railway link into the plains of Southern Nepal, forget Katmandu, which is at an altitude of 1,500 meters.

I actually looked at this, the Indian railways, if you look at the five highest altitude railway stations in India, you know, India has the largest railway network in the world. The five highest altitude railway stations, all of them have been built before 1920, so you've not been able to reach the mountains, the Himalayas, the various sort of mountainous areas in your border areas, include the Northeast of India.

And that poses tremendous strategic challenge, for India to now perform on connectivity. Think of connectivity also as institutions. How do you deal with your neighbors, to regional cooperation mechanism, right? And often you have a total absence of any type of mechanisms in South Asia for countries to work through regional organization.

SARC, which is a South Asian Association for Regional Cooperation, created in the mid-'80s, has always been subject to India-Pakistan tensions, and a consensus clause which is hindered cooperation and consensus.

You've had a focus on BIMSTEC, which is an organization for the Bay of Bengal, and includes Myanmar and Thailand, has a slightly Eastern orientation, again tremendous difficulties in creating a stronger sense of regional institutions in the region, because BIMSTEC has actually not performed very well, despite having been founded back in '97.

The second, the challenge here besides the abysmal state of connectivity, which is a reality now, I think the Indian Government has realized that and therefore has focused on connectivity as the strategic objective. Not just as an economic objective, or any type of political orientation.

You have the second challenge which makes this even more difficult, which is you have your competitor, China, showing up at your doorstep and actually delivering on connectivity, and creating ties with these small states around India, which has created a sense of competition with India but it's also, it's not only a level playing field in terms of great powers trying to deliver more and better, they are very different modus operandi of how India and China operate in these in these third countries.

And often, if I put it very crudely, if I go to Nepal and speak to people there, for example, these days, which are facing this very green grass across the Himalayas, China's coming in, supporting them, saying we are going to give you everything that India hasn't given you. It sounds very promising and very attractive of course for people in Nepal, which is landlocked country which depended on India.

But the realities that you've had often, China coming in with extremely questionable criteria in terms of its investments. Investments that lack transparency which creates tremendous and unsustainable debts for these countries, China has also learned to play the political game, it's not the China that says, no strings attached, we will just offer a lot of investment, and not influence any type of politics, for civil society in the host country.

For the first time that China has actively doing their influence operations in the region, creating their own think tanks in these smaller states around India, buying off journalists, playing politics, in terms of creating governmental support of certain factions, and that's a tremendous challenge for India.

You have now an extra-regional power playing these games immediately at your doorstep, because it's not just an issue of arrogance, if you want, or regional power of excluding China from the region.

The India-Nepal border today is more open than the U.S.-Canada border, for example. There's complete free mobility of trade and people. Anything happening in

Nepal obviously affects the security of India -- India's border areas. So, you want to be very careful of what's happening in these countries, and that's the current concern of India

And the crude way in which you can put this, is often people in Nepal tell you, well, we have a poison gift from China, we know that, that's a tremendous questionable terms of how the Chinese are penetrating our country, and promising huge infrastructure development projects, which will, you know, undermine our good governance mechanisms.

And let's not forget that most countries in South Asia now are finally democratic. For the first time since the 1940s, that all countries in South Asia now have democratically elected governments.

These are young democracies trying to establish rule of law, free press, a culture of pluralism in their institutions, and for first time you have China actually showing up and undermining these same institutions.

So, often if the choice is a poison gift from China, or no gift from India, which is very weak on delivery, and slow, and has tremendous capacity limitations in delivering on these economic assistance projects.

And that's the challenge now. I think everyone recognizes that in Delhi, and the fact, and let me end on that, that you have now an outreach to the U.S., and to Japan, and other countries from the Indian Government to say, let's work together, because we actually think alike about development assistance, the role of the private sector, the importance of rule of law, and institutions in these countries, to equip them, to monitor what they want, not to accept from the Chinese, et cetera.

So, for the first time you have that emerging coordination happening. The Japanese have been the most proactive. You see a series of joint projects within India and Japan, now Sri Lanka, Bangladesh, possibly Myanmar, over the next years taking off, and I

think that's one of the most interesting strategic developments you see in South Asia today.

MR. JAISHANKAR: Thanks Tino. Josh, looking now to India's West, we have a new government in Pakistan, and yet we've seen India-Pakistan relations being in something of a deepfreeze for the last two years at least, two-and-a-half years, at the same time, we have development underway in Afghanistan, which have implications obviously both for Pakistan and India as well, and where the U.S. naturally plays a role. How do you see both the political development of Pakistan shaping up, and the security situation of Afghanistan? And how is that affecting dynamics with India?

MR. WHITE: Sure. Thanks Dhruva. He always gives me the happy topics. So, I'm grateful for that. Just a few comments on Pakistan and Afghanistan, and what they mean for India: there's a new government of Pakistan, and every time there's a new government there's a little spurt of optimism in this town, usually misplaced.

And I think what strikes me about this new government is an interesting and paradoxical situation in which there's a government that has a relatively strong mandate, but has a relatively constrained policy space, and the sense of locations for India.

So, the relatively strong mandate. You know, many people said in the run up to the election, that the military was getting involved because it wanted to create a fragment in the political outcome. To which I think we can say in retrospect that the military could have done nothing whatsoever and achieve a fragmented political outcome, because that was probably the trajectory of the political arrangement.

The military did intervene through judicial manipulation, and I think it intervened in such a way as to produce a more stable government that has a somewhat stronger mandate under Imran Khan, who has been able to form a government at the center without having to cobble together a lot of small, volatile parties, and similarly in Punjab.

And so this is, in theory a good thing. So, in theory a good thing for Pakistan, and in theory a good thing for India that you have a government that's all over more stable than it certainly could have been.

The paradox is that as is often the case in Pakistan, the policy space for the civilian government is constrained, and it's constrained perhaps even a little more than with some other governments in the past, it's constrained for a few reasons.

There is, first of all, a foreign policy division of labor that's very clear to those who have studied Pakistani history, in which the Military dominates decision-making with respect to India and Afghanistan, and then provides the civilians with a little bit more leeway in relations with China, the United States, the Gulf, and other countries. There's no indication that that general paradigm is going to change with this government.

Second, there are constraints on federalism, there's a constitutional amendment some years ago that devolved many important powers from the Federal level down to the provincial level, and even though Imran Khan holds the government in Punjab, it's not clear that he has enough expertise to be able to confidently manage at the center, and at the provincial level, and deal with the fact that many of his authorities have been removed at the center.

Third, finance: there's a significant financial crunch, Pakistan is facing fiscal deficits, current account deficits, will probably have to go to the IMF, and the question is not whether austerity, it is what kind of austerity the government will embrace, and on which terms.

And then fourth, because I am using alliteration, which I usually tell my students to avoid at all cost, but I am. The fourth F is fanatics. The government is, as with many Pakistani governments, under pressure from various Islamic groups, and militant groups that are constraining the policy space available for domestic reforms.

So, you put this together, and you have a government that has some mandate and the ability to represent the Pakistani people, but there's no indication as of yet that they have any interest in diverging from the Army's core interest, and there are no obvious reasons for optimism on this count, at least in the near term.

And I think that, you know, Indians are probably the most realistic or cynical about this, and their expectations are quite low. But this is a period in which I wouldn't expect very much because of the political environment in India, and because of the challenge that the Imran Khan Government faces, in dealing mostly with the profound economic problems that are going to consume it for the next six to nine months.

On Afghanistan; the other happy topic: you know, my Indian friends like to tell me that Indians are much more realistic about what's happening in Afghanistan than Americans are. And in one sense I think they are true, I think Indian elites are more realistic about the deteriorating security environment in Afghanistan than the Pentagon is.

But then, again, everybody is more realistic about the deteriorating security environment in Afghanistan than the Pentagon is. This is not unique to India. I think they're very skeptical about what's happening in the security domain, and in terms of the chaos that they expect in Afghan politics over the coming year.

And I think they're skeptical when they hear senior U.S. Defense officials, like Secretary Mattis, say things like, you know: his optimism is grounded in the non-quantifiable factors in Afghanistan.

So, in that sense, you know, I very much appreciate the Indian point of view that things are moving in the wrong direction, and that this will have implications for India's security over long term that Americans don't always fully appreciate.

At the same time, I think that Indian elites tend to be unduly anxious about the reconciliation process with the Taliban, such as it is. And I think they are unduly

anxious because (1) it's barely begun, we are at a very early stage in engagement with the Taliban over the future political dispensation in Afghanistan, by all historical analogs.

Second, nobody is on the verge of giving anything away, because we are so early in this process.

Third, India as a state of its geography and its history, but it really is not a consequential player in the security environment, or really in the politics in Afghanistan.

And the United States seems to be slowly moving from a paradigm of Afghan-owned, and Afghan-led negotiations, to Afghan-owned and U.S.-managed, or U.S.-oriented negotiations. The rhetoric is not there yet, but I think the process is moving there, and I think this is a good thing. I think it's long overdue, and it's something that the Indians are naturally anxious about.

And I would hope that with the appointment of Zal Khalizad, whose views on Pakistan are known, and are colorfully articulated over the last several years, it will give the Indians some reassurance that nobody on the U.S. side is interested in making a deal in Afghanistan that will negatively affect India's interest.

So, I guess to conclude and putting that together, you know, Afghanistan has been an important part of the U.S.-India dialogue, and I remember when I was at the Pentagon we went out of our way to send military officers from Afghanistan to Delhi, to walk through what we are doing, and how we see the environment, and that relationship has matured, it's become a very important dialogue, but India is still a relatively small player in the broader politics and strategic environment in Afghanistan.

And I don't see that changing; and I still see us in an environment where we are managing anxieties, and trying to be transparent about what we think is happening.

MR. JAISHANKAR: I'll just go over one more round of questions I have for each of them, and maybe if you can keep it brief, because I want to bring in the audience

as well.

Tanvi, another big change in the last few years, and particularly from Washington's point, has been the embraced as the free and open end of the Pacific Strategy of which India is a big -- one element of that certainly. This seems to dovetail increasingly with India's Act East policy, in fact if you look at U.S.-India joint statements nowadays; these are the issues that appear at or near the top of the list. How would you assess what's going on in this broader Indo-Pacific Region from India's point of view, and how is India playing a role?

MS. MADAN: I'm going to start kind of with China, because what is often forgotten is that China is very much part of the Act East strategy that India has, but it's also kind of -- it's not the sole driver, but it is a key driver of kind of India's approach to all the other countries in the region. It shapes what India is willing to do or not do with others.

And what we've seen with China, essentially, over kind of the last few months, I would say starting from about November or December last year, though it became publicly visible in the Wuhan Summit this past summer, was a lowering of temperature between the two countries. With both sides kind of driven by their concerns about reaching a tipping point, and things getting very heated, which was very evident in Doklam last year, but also driven by their respective uncertainties about the U.S.

I mean it has essentially driven them to try to kind of lower temperatures, and that's what they've done, what we've seen is a revival of dialogues since, again, about November/December, we've seen increased, kind of a revived military engagement, whether that's the Chinese Defense Minister going to India, or kind of discussions about restarting the military exercises they have.

We've also seen kind of a slight increase in trade, though we've also seen an increase in the trade deficit, and to some extent they are less in each other's faces, in

the sense that we are not seeing the differences be kind of so starkly talked about.

I think to some extent the relationship has kind of indirectly benefited from, not a change in kind of the fundamentals of the China-Pakistan relationship, but some Chinese concern about the security and economic situation in Pakistan.

And so what some people have called this a reset, and they were expecting kind of a major shift, and I think what we've also seen, I think this was very evident during the U.S.-India Two-Plus-Two Dialogue, is that this is a reset in terms of temperature reset, but not in terms of direction.

That while we volume our tone, of India's approach to the region might have changed, India's concerns and the problems with China remain, nothing has changed, we haven't seen any structure shift, and the direction of India's policy remains the same. And if you read Prime Minister Modi's Shangri La Dialogue Speech, you kind of see these two elements, that yes, trying to kind of reengage China, but fundamentally still has the same concerns, we see these reflected.

Very quickly, I mean what this has meant is deepening partnerships with various countries in what we are now calling the Indo-Pacific, and the idea to do this, kind of deepen strategic security and economic relationships has been to expand capabilities, to shape the regional power balance, but also because India sees these relationships as serving -- as a force multipliers for it, both regionally and globally.

So, we've seen deeper relations and more activities, more consistent engagement with Southeast Asian countries, with East Asian countries, while the relationship with Japan gets a lot of attention, and we will see more of that in October when the next Modi-Abe Summit takes place, and a range of defense agreements are likely to be signed, including a logistic-sharing agreement.

The other country where India has also been engaging more actively,

South Korea; President Moon was in India in July, and again, both with economic and security agreements were signed.

You are also seeing kind of India engage with kind of the other powers in the region. Josh is going to talk about eh U.S., so I'm not going to go into that. But Australia, which you know, we talk a lot about, kind of what the Quad isn't doing. And yes, there have been limits -- India has been reluctant to upgrade the Quad because of its own concerns about provoking China, but also because it has concerns about where Australia stands on the issue of China.

We have nonetheless seen a deeper engagement particularly security engagement, bilateral engagement with Australia, as well as in a trilateral format with Australia and Japan.

The other country that is often not seen here as part of the Indo-Pacific necessarily, but India sees very much as part of its Indo-Pacific policy is Russia. It sees Russia as part of its balancing China strategy, always has, and that partly explains why it continues to engage, or want to at least keep Russia on the side. Again, we'll see evidence of this during the Modi-Putin Summit which will take place in early October.

I will outline just three kind of constraint / weaknesses, one is while there's been a lot of engagement, deepening of partnership, the Modi Government, and India more broadly over the last decade or so, has had problems translating intensions into outcomes. And that has been kind of a key weakness.

And that gets me to my second point. Part of this has been because of capacity constraints, because of connectivity constraints, but in this region in particular, it's partly because India doesn't have the kind of approach to trade, or trade policy that really needs to be a part of the economic story here, and not just the security one.

Finally, I think India struggles, and it's not just India, I think many countries

do, is this question of: how do you prepare in some ways, for your -- for advising China that you're increasingly concerned about without kind of wanting to provoke it? And India in different parts and in different phases has different kind of ideas of what that balances, and I would argue, we might even see another change over the next year or so. But that creates some constraints in terms of these other partnerships that India is trying to create.

MR. JAISHANKAR: Thanks. It was a very succinct summary in some ways, of a very broad range of relationships, and very broad-reaching.

Josh, if you could speak a little bit more, we've just had the Two-Plus-Two Summit between -- Two-Plus-Two Meeting, for the first time between India and the U.S., this is the Secretary Mike Pompeo and James Mattis went to India on September 6.

We've seen a number of other developments in the strategic bilateral -- strategic space including India being elevated in the Department of Commerce's regulation in terms of its status for licensing of certain sensitive exports, which is now being facilitated. So, walk us through, particularly on the defense side, how do you see the U.S.-India bilateral relationship shaping up?

MR. WHITE: Yes. Well, I think it's important to note that the United States had one of the two-plus-two sort of formulation for some time, because it addresses some of the weird bureaucratic asymmetries in the relationship, and which the Indian Ministry of External Affairs really holds a lot of the key power on defense and security issues in the Indian system, and on the U.S. system a lot of weight and energy has been on the Defense Department side.

So, to address that asymmetry you get the two-plus-two in the room. And I think what we was very positive and, you know, I've been critical of some things that this administration has done, with respect to India which I'll talk about in a moment. But this was a good meeting.

There were important outcomes, the tone was positive, and it builds on a lot of what, you know, we hope to set a motion at the end of the Obama administration, and it does name India as a major defense partner, and sort of clearing the pathway for a lot of this.

You know, just as an example, I won't go through the laundry list of everything that was agreed, new exercises and other things, but there was an agreement and the signing of the second enabling agreement or foundational agreement that had been under discussion for over a decade.

And just as an example of how much has changed and how, and I was in the White House when we finalized the first of these agreements which was a really a fairly dull logistics agreement mostly having to do with accounting practices, between the two countries, and it took a decade. And like an hour before Modi was going into the Oval Office, we thought that the text had somehow been opened up again, and there was panic, and somebody was -- there was a call to the Pentagon, and somebody was running down the halls to pull a Pentagon lawyer of a meeting.

And we finally got it all sorted out, and it happened, but it was chaotic, it was stressful, and there was high drama, over something that in and of itself was not that consequential.

But with this Two-Plus-Two, it was really a signing of the sort of follow-on agreement which was substantively a lot more important as a communication security agreement. More complicated, touching on more issues related to sovereignty and technical exchange, and it was done with a lot of hard work behind the scenes, but very little public drama on either side.

And I think that speaks to how far we've come, and how well both governments have managed this process and tried to depoliticize this process on both

sides. So, I give the governments a lot of credit for that.

So, you know, there are exercises and other things that were agreed upon, that I won't go into, but what I think, a few challenges that remain and in some ways were highlighted by their absence in this high-level meeting.

The first is, as Tanvi mentioned, the Russia challenge, this was really, in part, as self-inflicted wound from the United States Congress, bless their hearts, in trying to deal with the very real challenge that Russia poses to the United States. And this is complicated because the Indians want to buy a complicated system from Russia, to which the United States does not have an alternative to provide.

And so this, I think there's a pathway for a waiver, we'll see if the president chooses to give it, he probably will. But on the Indian side I expect that the Indians will execute one of their famous maneuvers, which I call "sign and stall", and will sort of slowly move forward with this in a way that that continues the dialogue.

The other self-inflicted problem is on the Iran sanctions, and here I think there's some interest on both sides in finding an accommodation in which India decrease its dependence on Iranian imports, and the United States finds some sort of carve out for the Chabahar Port which allows for another line in communication into Afghanistan, serving our interests.

But the peace that I'll sort of end on that really worries me is on the trade side which I'll just mention briefly. Government-to-government trade relations have long been a problem between the U.S. and India. And it's long been a sticking point, but I think what is different now is that we are no longer unsuccessfully trying to grasp for upside in the trade relationship, we are actively trying to prevent a lot of downside risks.

And so when I was, you know, in the administration, we had a lot of unrealized ambitions for the trade relationship. We talked about a bilateral investment

treaty, well, ended up not working out; we talked about coordinating positions with the WTO. Well, that didn't work out. But we were trying to build a trade relationship that was moving forward.

And we also had things like to focus on clean energy, climate change, global issues that we were partnering on. What we have today is a Trump administration that I think is weirdly obsessed with deficits, where trade deficits in manufacturing goods, and what that results in is the relationship in which much more of the broader U.S.-India relationship is resting on the shoulders of the defense and counterterrorism aspect of our cooperation, because the rest of it is really quite problematic.

And I think, you know, in the short term this is understandable, trade will continue to be contentious, but over the longer term this has some really pernicious effects. It disrupts the trust that has been slowly built up, the sense of American reliability as an economic and strategic partner.

There are opportunity costs that we forego, things that we could be doing together, because we are so focused on navigating economic issues that we brought up that some of which were unnecessary. And it drains trust out of the system.

So, this is sort of my broader concern, a lot of positive things happening on the defense and security side, which we should note and applaud, but that's becoming a much more -- that pillar is bearing a lot more weight than it used to, in the broader conception of how the United States sees the value of this relationship, and I worry that that weight may not sustainable over the long term.

MR. JAISHANKAR: And finally, Tino, another actor, and we spoke a little bit about China, the U.S., another actor that India has been keen on engaging is Europe. Prime Minister Modi has visited 11 countries in Europe, some of them multiple times. What has been going on in the India-Europe relations?

MR. XAVIER: I mean it's one of the most interesting developments in Indian foreign policy because I remember I worked for the EU Presidency in 2007, in New Delhi, and this is what, more than 10 years ago now, and that point you really had a paradoxically hostile relation often between the EU in particular and certain European countries, and India.

This was about climate change then, in which India and the Europeans had very different positions, it was about regulatory issues like labor standards, environment, it was about free trade, it was about human rights and democracy promotion, where you had a very aggressive European position, often American too. And a very defensive and hostile reactionary Indian approach saying, you know, these are all luxuries, all issues we do not count as priorities, as we develop as a rising economy.

Now, that has changed slightly, and again, Tanvi started with China, so let me start with China too. China has helped this, and I say help because I think that, Tanvi, as you mentioned it's not necessarily the only driver, but it's strange that among countries, and say, polities, if I call the EU as a political actor, which are, I think I like about certain global governance issues. They have not been talking to each other about these issues, and have actually found themselves engaged in more difficult relations than with their, say, authoritarian counterpart.

So, often you had endless positions on certain multilateral issues, being much closer to the Chinese position, at the United Nations, for example, than with the U.S. or European countries. This was the past.

Now, the rise of China in its sort of structural way, the capabilities with China, the economic rise of China, the militarization, I think in some ways is a securitization of Chinese economic entanglement across Asia, has led India to reach out to these various partners, and to begin at least dialogue about issues which had not been often on the table,

and have allowed, I think, India, and the Europeans, in particular, so look alike at certain -- or to look the same way a certain common challenges.

And in particular, I think on the Indian side is a variety of factors, which have led to a greater, and I think or more pragmatic approach towards the importance of Europe.

The first one is a recession. Let's not forget that the EU was a common trading block is India's largest trading partner, so that set off some alarm bells in Delhi, in saying, we cannot take Europe as an economic power, and as an engine of growth, which favors us as granted.

There's a bit of curiosity and concern there. I think Brexit was an important factor again, is an important factor in how India is looking again at Europe, because strangely often, I think in India there's a temptation to look at Europe, the European Union, and Europe in general through British eyes, through London. That's an old tradition, and I think that's no longer viable, and I think that's realized in Delhi now, but you have to engage more with France, and Germany, smaller states in Europe which are going to take a driving role in the European Union, and the larger European block.

You've had the refugee crisis, and security issues coming up, I think there's realization that Europe and India share a common periphery in the Gulf, in particular, even in the Indian Ocean Region where he Europeans are also concerned about the stability, and issues like freedom of navigation.

So I think it's a sort of common periphery which I'd like to define as one between Moscow and Mauritius, if you look at it from a north-south angle, across Eurasia, Indian Ocean, and then west-east sort of a link between Istanbul and Islamabad. This is in a crucial area for both Europeans and Indians, on a variety of sectors, which I'm going to share, and which has led to a very important security dialogue between European countries

and India.

So, for example, now you have for the first time, a sense of a certain dialogue which is also trilateral between European countries India, and certain Asian countries.

Recently in Delhi, there was a dialogue, for example, between -- on the Indian Ocean Region, the maritime security between the French. The Indian and the Australians for the first time, and this was unthinkable, 10, 20 years ago.

And that's a very interesting development because it shows I think on Indian side a certain curiosity, a certain concern, and a certain realization that Europe matters, despite actually being quite weak in facing challenges, it matters more than ever for India.

And the China story is of course and important one, because as we know China has been extending its economic leverage over several European countries. The Belt and Road Initiative is an interesting example because several European countries went in quite positively and optimistically into this Belt and Road Initiative, and over the last nine months, I would say, you have an emerging debate within Europe on, again, the terms and implications of Chinese investments across Europe.

So you have the European Commission now coming up with a voluntary opt-in screening mechanism for foreign investment, which is clearly geared and directed at Chinese investments. And internally baiting Europe of whether that is important or not, and to what extent you have to have a common European position to protect Europe from long-term, again, debt traps if you want, which the Chinese have sometimes developed in their relationship with other countries.

So, strangely you have similar debates in South Asia and Europe happening these days, and I think that's bringing Europe and India closer together.

MR. JAISHANKAR: Thanks, Tino. I would like to open up for question, but I thought I'd just briefly summarize just a few thoughts that seem to be kind of common threads across a lot of what I heard.

One is that I think we heard a lot about China in almost every one of those interventions, whether it was in the context of relations between India and the U.S., Southeast Asia, Pakistan, the neighborhood, Europe even, how much China is now shaping in this the primary -- not the sole -- but certainly the primary driver of India's own external engagements.

The second is, in many cases there seems to be a clearer -- a greater clarity of intent on India's part, but still very much question marks about execution and outcomes. And that I think is another common thread that I picked up.

And the third is that while things seem to be progressing quite systematically and clearly on the diplomatic and security fronts, particular in relations with the U.S., Russia, Japan, Australia and others, that things are less optimal on the trade and economic side, with the possible exception maybe of Afghanistan, where perhaps the reverse is true.

But in any case, these were just some of the common threads that I seem to pick up from all of your comments.

One of the nice things about doing an event like this in Washington is that we could very well have been in reverse. We have enough people in the audience here who could very well have been on this panel, and us be in the audience and amongst Steve Cohen, Ambassador Teresita Schaffer, I think Strobe Talbott, former deputy secretary of State; Robin Raphel, former assistant secretary of state, amongst many other people in this august audience.

So, I would very much like to invite a few questions and comments. Feel

free to keep your comments and questions brief. And then maybe I'll direct them to the panelists. So I had Teresita Schaffer first, and then -- we have three here, and then I'll go to the back of the room, and the microphone is coming.

MS. SCHAFFER: Thank you, Dhruva. I wanted to pick up the last point that you made and some of the points that Josh made about trade. I think you're certainly right that trade has become once again, in very familiar ways, a troublesome issue between the United States and India.

Having been a trade official for four years of my life, one of the basic principles you have to remember is when you have trade you have trade problems, and when you have increased trade you have more trade problems. That's just the nature of the beast.

The other basic principle is that trade is a domestic issue, it's a domestic issue for the United States, it's a domestic issue for India, it's a domestic issue for everybody.

So, that is really the arena where the optimistic politics are colliding, and they're colliding in the foreign policy sphere. You didn't say anything about India's multilateral policy and priorities, but this is a very interesting case because one of the techniques that India has perfected over the years, is that when it doesn't want to go along, is perfectly happy to say no, kick the table over, say, hell no, and everybody acts shocked.

So, I would expect that trade will continue to be a problem. You can't just sit back and say let it continue to be a problem though. That is going to put great demands on both governments for creativity.

Demands that in the past, they have been able to meet when they really wanted to get some version of yes for an answer, and I offer you the agreement on mangoes and motorcycles, the motorcycles were, it was Harleys back then too, which was

celebrated by Kamal Nath and Sue Schwab having a huge bash at the Chamber of Commerce with baskets of luscious mangoes. I must confess I put one in each pocket.

It's also the way we solved a problem with the airline regulations, the Open Skies problem. It's a way that we solved a daily problem whose clone has cropped up again, and it has to do with animal feed of the cows producing the milk.

So, that's what we are going to have to reach back to, and don't expect them to go away, we hope that we'll make these go away at least for a while but some others will come up. It just will.

MR. JAISHANKAR: Sir, right in the front, this gentleman here.

MR. COLOMER: Thank you. I'm Josep Colomer, I'm teaching at Georgetown, Democracy and Governance. And of course India is the largest democracy in the world, and has interesting problems of governance. And I'm a little surprised that nobody has mentioned its role in the international -- in the global institutions, in particular the G7.

MR. JAISHANKAR: The G7, yes.

MR. COLOMER: Which was created for the largest economy -- democratic economies, at that time India was not one of the largest in economic terms, but you mentioned now maybe they're sixth or they're fifth, and it will be time to (inaudible), right? And even more interesting because China is not a democracy, and Russia was ousted from the Group. So, my question is whether there's any plan or initiatives to try to be incorporated, in particular to the Group of 7, but perhaps even more active in some other global institutions still?

MR. JAISHANKAR: Thank you. And then one in the front here, yes --

MR. WALKER: I'm Robin Walker with the State Department. I appreciate this kind of tour of Indian foreign policy here, we could have kept going around, pass it

around to the Gulf and Africa as well, so if anybody has any comments on the Gulf I'd welcome those as well. But as India continues to have its all-of-the-above, strategic, autonomy foreign policy, what do you see as either the gaps forming between that, or the areas of conflict that having an all-of-the-above foreign policy brings? Thanks.

MR. JAISHANKAR: What do you mean by all-of-the-above foreign policy?

MR. WALKER: So, India has a foreign policy for everything covering good relations with Russia, good relations with the United States, trying to improve relations with China, trying to do something on Pakistan. Where do those conflict; what are the areas of conflict that trying to have good relations, or at least decent relations with everyone is going to bring coming up in the future here?

MR. JAISHANKAR: Sure. So, I'll take another round of questions in just a second, but just to summarize -- I mean, on trade issues, I think the best answer might be, I would recommend that we read Teresita Schaffer's book on India, "The Global High Table" which covers the multilateral negotiations.

But I would just add, and maybe somebody else wants to address in more detail, if we have a little bit of time, but the areas where trade negotiations are really going to come up, and this is going to enter into domestic politics, will probably first be on the regional Comprehensive Economic Partnership Negotiations which are expected -- where there is a stated goal to finish those negotiations by the end of the year.

This involves ASEAN for six other economies, Australia and New Zealand, India, China, South Korea and Japan, and India has been holding out on a number of issues that have a particular domestic resonance. So, I think that that may be the test case for where -- how India will shape its straight policies to come.

Tino, do you want to address the question of India as a democracy, and what it means for its role in global institutional leadership? I mean, the G7 may not be

forthcoming, but there are certainly other venues for that. Would you?

MR. XAVIER: Just quickly on trade, economics and security. From the vantage point of the region it's very interesting that you have, say, the China story which is one of economic entanglement with East Asia and Southeast Asia for decades now, and now the securitization of that, right; the political implications of that.

What's very interesting is that in India, I think as a function of India's economic closedness, and it's really still one of the most closed economies among the great powers. You have now the language of security of China, right? China is a threat, any type of free trade agreement between one of our neighboring countries in China is a concern for India.

And that's a short cut. That's a security short cut, because what you have to do, rather than denying some of your neighboring countries, and other countries in the region economic linkages with China is delivering better and more, and you can only do that if your own economy is open.

Just a moment, I think on the strategy and economics and security, and how it's thought of or not thought of actually in India, which I think concerning, because they raise the logic of economic openness which would favor Indian security interest in the long term. And I'm now sure in Delhi that's very apparent these days.

Now on democracy, I think, you know, we tend to think of India, and I think Indian Government officials are to be blamed for this often, and to say that, we don't care about values, democracy, that we are one of the most agnostic democratic powers in the world. In a sense we do not transpose what's happened inside the democratic success story of India into a foreign policy.

Now, that's not exactly true. If you look at the history of India, India has always understood that greater liberalization, democratic liberalization, in neighboring

states and in other developing countries in particular, is in India's long terms security interest.

It's always not acted in that way, nor has the United States of America, or any other democratic power. We know about the tensions and dilemmas of democratic foreign policies, but it certainly had that instinct.

Now, again, coming to China, what China has done it has activated its link in India. That China coming out with a slightly different model, and undermining often institutions in the countries where it invests, has led India to think, I think more strategic about that link, the importance of working together with other democratic powers, and strengthening other small-state democracies around the world.

This is the story also behind India and Europe, India and Japan, and India and the U.S., and it's not necessarily electoral institutions, parliamentary institutions, or multilateral institutions which you mentioned, it's also about issues like data governance, right, or data security. How do you deal with private information from citizens? Do you follow status to authoritarian model? Do you follow complete decentralized model?

So, it's very interesting debates happening these days in India, on governance, public policy issues, and foreign policy issues, reflect I think a clearer thinking of democracy, not as a luxury, or an issue we just inherited from the Brits, and we happen to be democratic, but actually more strategic about the long-term benefits for sustainable governance, stability, security, economic growth, domestic resilience of institutions when you face authentication states which are trying to penetrate these spaces.

So that's one of the most interesting developments I see in Delhi these days. And that opens a huge potential for partnerships with the United States, with Japan, with European countries on exchanging assessments, at the multilateral level, at the bilateral level, and also working together in third countries to promoting, if you want, those

democratic institutions which I think made the U.S., India and Japan more robust societies.

MR. JAISHANKAR: Josh, do you want to touch on the trade the issue quickly?

MR. WHITE: Yeah, just very briefly. I think Ambassador Schaffer brings a very important point about the political economies, and the domestic politics and trade. And on the Indian side, that's quite clear, there's a reluctance to liberalize in agriculture because it's an important political base, there's a reluctance to liberalize in retail -- in the regional sector, because there's a middle class that is, sort of a trading class that's very important.

I think what's different about this moment is that in the United States the trade demands are not coming from the Congress, they are not coming from very clear political base. In fact, the Congress has been pretty skeptical of the steel and aluminum tariffs, and a lot of the other demands.

Or they're coming from a President who, I mean, if there's a silver lining it's that, the Indians should recognize this negotiating style of the President, which is lead with bombast, ask for a hundred and hope to get ten, and I think that it's coming in a different way from the United States than it usually does.

Not with deep political economy routes, but the style should be familiar to the Indian bureaucracy, and that's why I have some hope that they'll be able to find space on a few narrow issues, both call it a win, and hopefully have the President turn his gaze somewhere else in the world.

MR. JAISHANKAR: I'd like to summarize this by saying, India needs to provide Trump with more spice jets and fewer Harley-Davidsons. (Laughter) Tanvi, on the Gulf and --

MS. MADAN: The all-of-the-above strategy?

MR. JAISHANKAR: All-of-the-above strategy.

MS. MADAN: You know, I think there's a way to answer. The Middle East is actually a good example of India having an all-of-the-above strategy, and I think, you know, you see that. Part of that is driven by the fact that India has, because of its trade dependence, because of its diaspora, because it's one of the largest energy importers, because of its kind of economy broadly, but its strategic needs as well, one of the largest importers of military equipment, it has interests in all these countries.

So in some ways this all-of-the-above strategy has been about having choice, creating choice for India. But India has also tried to make the strategy about avoiding making choices.

And so I think you see this in the Middle East, where, I think for those you who don't know, India has between 6 and 7 million Indian citizens who work in that region, and I say between 6 and 7 million, because it has ranged over time. It continues to be, that region continues to be the largest source of oil imports for India, significant source of gas imports for India.

India has increasing security ties with not just Israel, which has always been -- I mean, for years been and defense and intelligence partner, but also with some of the Gulf countries.

And as it thinks about maritime security more broadly, in kind of the Western Indian Ocean, that has become a factor as well. And I think what's happened in recent years is, for the first time India has leverage with these countries, so they aren't asking, neither the Gulf on both sides of the GCC divide are asking India to make a choice, nor are the Israelis, and nor are the Iranians; if the Iranians try it, and India pushes back.

And so India has to maintain these three sets of relationships, and it's all about -- and it is becoming an increasing player. And I'll give you two instances which

show how India, very quietly, has become a player in the Middle East in a way that doesn't get reflected.

One is the blockade of Qatar, and the fact that India, because there are more Indian citizens in Qatar, than there are Qataris, broke the blockade. And did not -- I mean, while they might have -- the Saudis and the Emiratis might have tried to push back they didn't -- to a great extent they understand that India needs to do that.

Second, the fact that Air India has a Delhi/Tel Aviv flight that the Saudis have allowed to fly, for the first time, over Saudi airspace. The fact that it was India that managed to this through, and not another country.

So I think it's becoming more relevant, but it's also means that it's sometimes going to have to make these choices, and so that's kind of more on the -- between Iran, say, and the Gulf, or kind of Iran and Israel.

When it's not asked to make choices, it's very happy. I think where you do see the choice play out is something that Josh mentioned, Russia. Its relations with Russia and the U.S., on the one side it needs both countries, or thinks it needs both countries for a China balancing strategy.

But we're seeing it very starkly. Over the last decade the U.S. hasn't asked India to make a choice between its relationship with Russia and its relationship with the U.S. In some ways, this kind of, the (inaudible) makes this almost a choice.

And then the question of whether or not India gets a waiver becomes kind of that negotiation about how much of a choice India needs to make, this is linked to the trade question of course.

And a broader issue that India is having to grapple with, with the U.S., which is that, and I think this is where the trade part is different this time, is with the Bush and Obama administrations, and towards the end of the Clinton administration, there was

an argument, that this was a strategic relationship in the sense that the U.S. would make an investment on India for the long term, and would look the other way.

Or, you know, kind of dampen trade frictions, deal with differences, today it's more transactional. President Trump wants short-term returns, and India is having to figure out how it does that.

So for a waiver the question is: what will he demand in return? Is it something on the trade side? Is it a defense deal for the U.S.?

This is something I don't think India would necessarily have had to grapple with two years ago, and I think this is making India have to make choices, decisions that it would, ideally would like to avoid.

MR. JAISHANKAR: Several hands on this side of the room. So, maybe Tom Breckenridge, here, and the two back here.

MR. BRECKENRIDGE: Hi. Thank you. Tom Breckenridge from Boeing. Thank you, first of all for these very interesting perspectives. A defense question for you: coming out of the positive momentum that we have the Two-Plus-Two, what do you see as either the next big deliverable in the relationship, either what that is going to be, or what do you think it should be? Thank you.

MR. JAISHANKAR: The gentleman back here, in the red tie.

QUESTIONER: Thank you so much. Congratulations for this really very interesting and useful panel. My name is Gonzales Arbos from Georgetown University. What is the role of India and the vision of India for the BRICS? And I have a second version of this question, more short term.

There is a sense inside the BRICS that, you know, diminishing returns for the organization, and China and Russia tried to expand the membership, and Pakistan has emerged as a contentious issue. How do you see this, the possible evolution of BRICS,

and the role of India in it? Thank you.

MR. JAISHANKAR: Thank you. I think the gentleman, yes, with his hand up there was waiting quite patiently.

QUESTIONER: Hello. I'm Rick Rawdon, at JNU in New Delhi. I have a question about the SCO, the Shanghai Cooperation Organization. It didn't get very much press coverage in the West last year, but I thought it was pretty significant that both India and Pakistan have become full members of the SCO last year. And I want to know, what is your take on the SCO? How do you understand it? And how do you see its agenda?

And then my question is, can India really both a full member of SCO and also participate in the Quad in a way that the U.S. would like? Thank you.

MR. JAISHANKAR: Maybe one more question here, the gentleman in the aisle, right there, yes. Thank you.

QUESTIONER: A very interesting discussion. I'm unaffiliated, but I have an abiding interest in India. On the Indian economy, has India missed the manufacturing revolution? And since most of the developed countries are growing because of high tech, India's budget in R&D is minimal, both in the corporate sector and in the government sector. How do you think that's going to impact the Indian economy?

MR. JAISHANKAR: A big question here. What we can do, Josh, maybe if you can address the Two-Plus-Two, at what's the next big deliverable on the defense front. And Tanvi, maybe on the BRICS, SCO and Quad; and then Tino can pitch in.

MR. WHITE: Okay. Sure. It's a great question on defense and security. I mean, there are three things that come to mind in this space, broadly. One, are the defense deals on the horizon? There are always large defense procurements on the horizon. India has developed a convoluted new system of trying to broker awkward relationships between U.S. and Indian firms, and this is still a work in progress, but I think,

you know, seeing if India can move forward at a reasonable speed with large defense procurements, in the light of a strategic environment where it very clearly has some challenges from China's growing naval reach, and other things. It's something that a lot of us are watching.

And it's not just a question of whether they can do these in a timely, but you know, the S-400, the Russia Service to Air System, has precipitated a really interesting set of questions, and really a conundrum for India that it hasn't grappled with, which is that it used to be that you could buy your defense stocks, sort of piecemeal. You know, when you buy this system from this country, this system from this country, and you try to make a few things on your own, and 10 percent of the time it works, and the rest of the time, you know, you buy it off the shelf.

But technology is such that we are living in a different world now, in which, you don't just buy things, you connect them all together. You network them together, in ways that makes it quite problematic, in fact, looking over the next 10 to 20-year horizon, to buy a Russian air defense system, and high-end U.S. fighters, and cyber systems from somebody else; because these all talk to each other, and there are intelligence challenges, and interoperability challenges.

So, moving toward a more networked paradigm of warfare, which is where India should be, they are going to have to change, to some extent, the paradigm of the sort of motley force that they've built over the years.

And the S-400 I think is prompting some of that, and they haven't had to confront some of those decisions that well. So I think that's one thing I would be looking at, that the U.S. is watching closely, how India navigates that challenge.

The other is moving forward with some other agreements that are on the horizon, BECA which is an important geospatial agreement which will help us in maritime

cooperation, and some agreements that will facilitate industrial cooperation on sensitive topics.

Then the third is really something that, you know, I think many of us in the U.S. would like to see are, cooperation move from a lot of exercises, to a lot exercises and some joint activities.

We can call them joint patrols, we can call them parallel patrols, we can call them, look, we happen to be in the same place at the same time doing similar things. The labeling is less important than a sense of doing things together in the region, because so much of the way that the Defense Department thinks about technology transfer has to do by asking the question: what are we doing together? And do we need to share skills and technology to facilitate what we are doing together?

And so to move, to inch toward that operational space in ways that are -- don't have to be threatening for India, don't have to be threatening for China, I think would be, you know, it's an important part of the horizon of where I think we can go in the next five to ten years.

MR. JAISHANKAR: Just a specific elaboration on what Josh was saying. The procurement of the S-400 severely complicates India acquiring in the future fifth-generation fighters from the -- a specific fifth-generation fighter from the United States, which is currently an issue for Turkey, that Turkey is confronting now, but India may have to confront such choices in the future.

MR. WHITE: Yeah. Right.

MR. JAISHANKAR: Tanvi, yes?

MS. MADAN: I think, you know, so Dhruva has asked me to answer the SCO, the BRICS and the Quad question, and they are related because in some ways they all pivot around this question of the C-factor, China. And I think specifically, at least BRICS

and SCO a lot of where it goes I think depends on the China-Russia relationship, and to some extent there's an underlying assumption, when India is buying major -- considering buying major platforms from Russia, or kind of trying to keep it on side, there's an underlying assumption that what happened in the past will happen again; which is that this -- what used to be the sign of Soviet partnership now the sign of Russian, is not going to last.

That they have kind of different interests, and because they have different interests, and will kind of conflict in Central Asia or other places, that Russia by kind of sponsoring Indian membership, pushing Indian membership of kind of the -- Indian membership the SCO, or occasionally bandwagoning with India at the BRICS, being support of it.

That essentially Russia will facilitate kind of Indian role, and Indian capacity, but also its relationship with China is not going to be a big strategic issue. And at some point there has to be questions in India, that perhaps are within government, about the fact that we haven't seen that division, divergence right now, play a big role between China and Russia, but also potentially what would it mean in a crisis, if India needs spare parts, say, and the Russians have not refused to supply them, at least slow it down like they did during the 1962 war.

And what should that mean? Should that be a question raised, while everybody discusses U.S. uncertainty, and unreliability of the U.S., I think you will start to hear questions, there are already some within the Military and India about how reliable Russia will be, because of its relationship with China.

So I think where BRICS goes, will depend on the China-Russia relationship, because as you said in the last few sessions, India has noticed that Russia has not necessarily been backing it up, it's been backing China.

But the India also finds BRICS a useful forum to actually engage with China, engage with Brazil and South Africa, but also get China to be, perhaps accidentally and unintentionally, on record as criticizing Pakistan sometimes, on counterterrorism.

So, I think there are uses to it. Can it balance the Quad and SCO and BRICS? Yes. That's part of the all-of-the-above, this thing. Nobody is asking you to make a choice. The question is, qualitatively what is it doing?

So when people make a big fuss, you know: oh, it's doing exercises with all three groups, or at least two of them. The question is not, is it doing an exercise or not? The question is: what is the nature of that exercise? What is the consistency?

And you know you can look with -- when people are measuring, say, the Quad; is it successful or not, et cetera, it depends on what you expected of it. It's already meeting on a more frequent basis, than say, the trilaterals that India has. It met twice. It's going to meet again later this year, from what we understand.

And so the question is, you can call it coastguard, anti-piracy, humanitarian assistance, the disaster relief corporation, but another term for it is maritime security. And so you do see that happening in a way an SCO exercise is not doing. So, can India do all of it? Yeah, absolutely!

It's done it before, it will continue to do it, it's when it's asked to make choices that it then has to confront the problems, and I think what Josh just outline, essentially points at one of the challenges of India's diversification strategy in the defense space, which earlier could buy, you know, planes from three different countries.

This is going to be, or it could have engagement with three different -- if China and Russia really do become closer and closer, then I think you'll start seeing, and will even make choices about kind of SCO, BRICS and Quad.

MR. JAISHANKAR: And maybe another, of that point on the exercises.

Are they confidence-building exercises? Or, are they interoperability exercises? Or, you know, it maybe one way of thinking about them. Do you want to pitch in on the SCO?

MR. XAVIER: Yes. I mean, it's a question from my alma mater, JNU, so I need to reply as former JNU-ite. But I think, just to bring in a bit of a -- a note of skepticism also on some of these issues.

The first one I mentioned in my economic argument about economic openness becoming a strategic imperative for India. And again I'm not sure that is always realized in Delhi, but it's becoming more and more apparent that it will be through economic independence, and openness that then you'll be able to deliver more, and be more integrated with its neighbors in the larger Asian Region.

The second challenge, I see examples of every single day when I'm in Delhi, and interact with the government, and foreign government, and foreign embassies in Delhi, is one of capacity. So, you can have in a particular bureaucratic capacity.

So, you have an India that has really performed very well in reaching out. Prime Minister Modi has been to what, 42 countries, 80 visits abroad, more than the previous Prime Minister's both terms together, in his first term.

A variety of initiatives which I think are very welcome and important, but you have, I think, several other countries across Asia, are now asking themselves, you know, can we really rely on India, and for these countries this is the survivability issue often.

They are facing a tremendous offensive from the Chinese, a lot of investment, and lot of support that concerns sometimes from China, these are Southeast Asian countries, countries committed to ASEAN, and regional integration of multilaterals, and ASEAN is coming under stress, and they want to see more of India.

And this is I think a welcome development, but in terms of capacity to

deliver, whether it's on, again, economic projects, assistance, but also even human resources' capacity, the Ministry of External Affairs in here today has a diplomatic corps which is equivalent in terms of size to Singapore and New Zealand. Less than 1,000 diplomats to represent the interests of India of 1.3 billion people abroad.

Now, that is going to be, I think a key challenge for the Indian Government to reform its decision-making apparatus, whether on trade issues climate change issues, defense issues, and that, I think, is going to be one of the most stressful issues for the government to deal with in order to perform, and perform in according to the promises, I think, it's made to several countries and regions around the world.

MR. JAISHANKAR: I think we have time for maybe one, or two last questions. So one right in the back and then, the one in the front; sorry, go ahead.

QUESTIONER: Good morning. I'm Ross Connelly from the National Defense University. With India and the U.S. moving closer together particularly on security things, is India doing anything to address this with Pakistan? Maybe any way of, like, softening the blow, or is India just saying, we are doing this for our own interests, and we are not interested in what Pakistan thinks? Thanks.

MR. JAISHANKAR: Yes?

QUESTIONER: Thank you. I'm Marina Fazel, an Afghan journalist. And I would like your Facebook on what can the new relationships with India, how can it facilitate a piece with the Taliban? I know that the world isn't a very ideal place, and these are very complex negotiations, but obviously a large part of the dynamic between United States -- between Afghanistan and the various parties involved, have to do with the conflict between India and Pakistan, that has for a long time played a role there.

So if you could please tell me, what could the Indian government do to nudge the process in Afghanistan move towards a peace solution with the Taliban?

Thanks.

MR. JAISHANKAR: Do you want to take the question, maybe a de-hyphenation.

MS. MADAN: Yes. And then sort of Josh would --

MR. JAISHANKAR: Yes. The de-hyphenation, and you could take the Afghan question.

MS. MADAN: So, I mean, some interesting question kind of on the de-hyphenation, because it's almost asking the opposite question. I mean essentially what we've seen, not just in the last year or so, but we've seen a trend in the U.S. of there used to be a sense that there was hyphenation. That everything you did with India had to be measured against, how would Pakistan react?

Similarly, the opposite, and that puts constraints, puts constraints on what the U.S. would do with India and to some extent what the U.S. would do with Pakistan? Pakistan has been useful to the U.S. in phases, so that's not always been the case, but we've seen, kind of, over the last decade or so, is that essentially the U.S. has made a judgment that these are separate -- now you can argue this with some people, but essentially that these are two separate, these are going to move on two separate tracks; which is that it is going to do a nuclear deal with India even if the implications with Pakistan, or for that matter China; in fact, if there is a hyphenation today, it's perhaps the U.S., India and China in some ways.

But the essentially these are going to be de-hyphenated, that there's going to be a U.S.-India Policy, and a U.S.-Pakistan Policy. Now, some of that is, you do see that in places like Afghanistan, or related to Afghan Policy, this becomes a little more kind of convoluted in the sense that these things are linked, but at least what we've seen a trend of, is that the U.S. has essentially said, we are not going to let relations with Pakistan be a

veto on what we need to do with India, and that's because it's become -- India has become part of a broader frame.

The U.S. has taken India out of South Asia and made it an Asian or Indo-Pacific country, and so kind of the imperatives to do with the rise of China, et cetera, have made this a secondary concern.

For India as well, the same thing, where there's almost, it's not a question of they don't necessarily care about the impact of Pakistan, for India the security challenge that it sees between China -- with China and with Pakistan are linked, and so for it, when it's building capacity on the defense side, it's not just about whether or not Pakistan will care, it is partly about Pakistan.

Now, you can argue that that creates complications in the region, but these -- and you even see this on the nuclear side, right? Pakistan reacts to India, India is reacting to China, and China is reacting to the U.S.

So while we think of these in dyadic terms, or even de-hyphenated terms they are all linked, and I think this is one of the issues that while, how do you pursue de-hyphenated relations, which at least for the U.S.-India relationship has been a positive; how do you then address -- which Josh is going to address -- is how do you then address these issues, or these areas where they do come up as connected?

MR. WHITE: You asked whether India was softening the blow; the answer is, no. I think a more interesting question is whether the United States is softening the blow, in the sense of whether the United States is trying to find a way to reassure Pakistan that the deepening of the U.S.-India ties won't come at an enormous expense to Pakistan, to or to U.S.-Pakistan relationship.

And there it's a little bit unclear. I mean, you know, Pompeo has stopped very briefly in Pakistan on his way to India, there is an attempt to continue to engage. But if

you take a step back and think about what the U.S. has been trying to do with Pakistan under Trump, very briefly, and there's been an attempt, on the one hand, to scale down the relationship.

And I think the logic here is, let's think about our outlays with respect to the expected returns on that investment. We've put billions of dollars into the Pakistan relationship, and the feeling in this town, is that the returns on that money have been very low.

So, there has been a sort of return on investment calculus under this administration, to say, let's scale down the money, the time, the level of diplomatic engagement, to a level that is commensurate with what we are getting from this.

That process in some ways started when I was in the White House, and it has now continued more dramatically, under President Trump, but that is a way of looking at the bilateral relationship.

The other element of the U.S. strategy has been to say, let's use this reduction in engagement in combination with some other levers to try to extract some changes on the part of Pakistan, with the way that it deals with militant groups, the Haqqani network and others that affect Afghanistan.

This part of the strategy has essentially not worked, and the question here, well now an inflexion point, as to whether the Administration continues to push on a closed door, and try to get Pakistan to change that aspect of its behavior.

So, I think the story is still out on how much reassurance we are going to give to Pakistan, but right now we are still in the pressure part of the strategy, and so there's not a lot of reassurance.

And I think, you know, over the short term that it makes some sense from where the administration is at. But over the longer term, I do think there are some risks in

having a very deep and healthy relationship with India, and having a relationship with Pakistan that is consistently fraught. I mean, there are some risks to U.S. interest that come from that.

Thank you for your question on the Taliban. I will say two things very briefly. The first is that I don't see the conflict in Afghanistan as being into really, in substantive related to the India-Pakistan conflict as a core driver. I mean, sure there are secondary ways in which it affects the Afghanistan security environment, and certainly part of Pakistan's maligned behavior in Afghanistan is due to its anxiety about India and Indian influence.

But Afghanistan has a full-blown organic insurgency on its hands, and if you were to solve the Kashmir problem tomorrow it would not solve Afghanistan.

That said, India does have a deep and very interesting set of relationships with the Afghan political elites, and it has relationships across ethnic lines, across regional lines, and in fact India has the kinds of political relationships in Afghanistan that Pakistan could only dream of having.

Again, across ethnic, across regional, personal relationships, and I think, you know, many of us in Washington would like to see, is India continue to use those relationships very constructively, to encourage the fractious political environment in Kabul, to see reconciliation process as being worth pursuing, and to continue to provide economic support and some very limited kinds of engagement with the security sector, in a way that nudges this forward.

I think that's realistic, that's reasonable, and it really plays to India's comparative advantage, as a country that wants to use its political influence and growing profile in the region to -- you know, to do something that needs to be done.

MR. JAISHANKAR: And just to add on that point, I think one concrete

example of India doing that recently, was engaging with Gulbuddin Hekmatyar.

MR. WHITE: Yes.

MR. JAISHANKAR: When people in Kabul were still very skeptical of his role, the fact that India -- the Indian Ambassador was willing to meet with him, was a sort of sign, a sort of blessing, if you will, that he went back in the fold.

MR. WHITE: Mm-hmm. Absolutely!

MR. JAISHANKAR: But I think the economic component increase is very important. Last year 39 percent of Afghan exports went to India, and this year quite likely India will be the largest export destination for Afghan exports; 97 percent of the Airfreight Corridor Program that Afghanistan has started goes to India, that will probably come down now, because they are opening up routes to the European Union, and to the Gulf. But I think it's just a -- apart from the fact that India has been the fifth largest aid provider to Afghanistan since 2001.

So, I think the economic component and the political reconciliation goal, at least non-Taliban reconciliation goal, do play an important part.

With that, we are out of time. Thank you all for your attention, and for your questions and answers, and comments. And please join me in thanking our speakers today. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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