

The Walter H. Shorenstein Asia-Pacific Research Center
Freeman Spogli Institute for International Studies
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and

The Brookings Institution's India Center

**India's Relations
with its Northeast Asian Neighbors**

with

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Transcript

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Gi-Wook Shin: My name is Gi-Wook Shin. I'm the director of the Shorenstein Asia-Pacific Center at Stanford University. It's my real pleasure to welcome you to our inaugural event in New Delhi in collaboration with Brookings India. As you may know, I grew up in Korea, and I've been to, you know, Asia many times. I come to Asia maybe four to six times a year these days, but it's my very first trip to India, so I am very happy to be here with you this afternoon. Our center is Stanford's University institution that focuses on the interdisciplinary study of contemporary Asia. Our mission is to promote a dialogue on [Inaudible] affecting Asia-Pacific region from social tradition to development to U.S.-Asia relations and regional cooperation. For a number of years, we have led a South Asia initiative at the center, inspiring many conference and publication regarding the nations of South Asia and relations with the United States. So we are trying to -- we start this initiative, and we are very happy to be here today with Brookings India to spark conversation on India and Northeast Asian nations. Actually, we have had long-standing relations with the Brookings Institution. Actually, my colleague, Ambassador Michael Armacost, he was president of the Brookings Institution before joining our center, I think, like early 2000. So I am very happy to work again with Brookings India this time. And, as you know, the Asia-Pacific region is quickly becoming the economic engine of the world, and India, especially, is a net contributor to this as the area's largest democracy and plays a rising role in important sectors of growth. Today our topic is about India and Northeast Asia. And, you know, this will be a great opportunity for our dialogue. We are here not only to share our views, but also to learn from you in the audience as well. India has experienced, similar to so many Northeast Asian countries, extensive migration of people from rural to urban areas. It is happening in China. And Japan is dealing with a rapidly aging population. And South Korea is ushering in a multicultural, you know, workforce into this historically homogeneous society. And I just say more later, you know, India is becoming more and more important for Korean economy. So these are more other trends bring about immense impetus for knowledge and idea exchange, something both our center and Brookings India hope to facilitate. This morning I was very happy to find in a California-like weather in Delhi, so I feel very comfortable coming to Delhi at this time. And I sincerely hope that every one of you finds today's discussion informative and enjoyable. And now let me turn to Mr. Vikram Mehta, the executive chairman of Brookings India, who will be introducing the panel and moderating the discussion. So, once again, thank you very much joining us this afternoon. Thank you.

Vikram Mehta: Thank you very much, Professor. I'm greatly honored to be invited to moderate this. I have to start by saying that this is not a subject of my -- on which I claim to have any expertise. It's a subject I have great interest in, but I haven't studied it in great depth, and I have to acknowledge that limitation only because this is an extraordinarily distinguished panel, as you'll soon realize when I introduce them. But what struck me was the fact that we are having this conference at a very propitious time. There are many reasons why I think the timing of this particular conversation is correct or propitious. We have leaders in India, in China, in Japan, and, if you want to stretch it, Indonesia who are all -- who are pragmatists, who are reform-minded, who are looking to focus on development. There's a commonality of interest here. It's not a -- I think it's -- this is a coincidence, but it's a propitious coincidence. Certainly, our Prime Minister, from where I sit, has greater admiration for the East Asian model of economic development than any other. He is a right-of-center economist or right-of-center ideologically, but he's not a Margaret Thatcher. He's more in the -- in this style of Lee Kuan Yew. He's more involved with or interested in state-directed capitalism. And this is, again, something that has been manifested

in his approach to the Northeast Asian countries. As you know, he visited China four times when he was the Chief Minister of Gujarat and more recently, of course, he has not only been to Japan and -- but also welcomed President Xi Jinping to Gujarat. The fact is that the India's relations with the -- with our Northeastern Asian -- Northeast Asian neighbors has been and is a very strong economic relationship. It's a relationship that is built on a synergy of economic interests. China is our strongest trading partner; albeit, there's an imbalance in that relationship. China sells more to us, significantly more to us, than we sell to them. Japan, well the Japanese have recently committed to invest \$35 billion over a period of seven years. China has committed to invest \$20 billion, which is much lower than what was originally thought of -- which is much lower than what was claimed would be their intent but that was \$100 billion, but it is a significant multiple of what has been invested by China in India. The number that I'm told of Chinese investments in India are -- is \$400 million. So if indeed the Chinese get to \$20 billion it's, as I say, a significant hike in their level of interest. The North Korea -- the Koreans, the South Koreans, I mean, they have probably the largest presence in India. Their investments to date are 3.5 or \$3.75 billion. This is the number that I picked up when I -- when a colleague of -- well, a colleague of mine Googled and found that number for me. I may be wrong, but let me just put it across. But it's larger than what the Chinese have, and certainly larger than what the Japanese have.

>> No, it's not. At least \$15 billion.

Vikram Mehta: It's not? Fifteen, so sorry. Thank you for correcting me. But it's certainly one - - maybe it's larger because the POSCO investments of Korea of \$12 billion have not yet taken -- you know, hasn't really materialized, but it is something that is sometimes put on the table as a statement of intent, and the POSCOs have -- POSCO has received, I think, all of the approvals, so there is -- anyway, the point I'm making is that the Koreans have a very substantive investment in India. So there is an economic relationship between India and China, India and Japan, India and Korea, which is substantive. There is civilizational connect, which we all know about. We have a long old -- we have old civilizations. Religion that's -- you know, that the northeast countries -- Northeast Asian countries follow, have all been, in some senses, founded in India: Hinduism and Buddhism. So there is that connect. But having said this, of course, there are political issues. There are security and strategic issues. And what I find, at least when I reflect on the relationship with these countries, is that there's been a [Inaudible] decoupling of economic from a strategic and the security. So when the President of China was here, there was an incident on the border, and it certainly led to the Prime Minister of India responding in a very muscular way, and understandably so. But I don't think there's been a ramification, an adverse ramification, on the Chinese economic interest in India or at least the plans to invest in India. So there is this -- there are these economic interests, and then there is the strategic, which to some extent remain decoupled. But there is a question that perhaps could be debated more -- in greater depth when we get into the conversation. Finally, there is the issue of the United States, of course. We talk about -- it's not just India and China, India and Japan, India and Korea. The U.S. is a player, and I've never really understood the word "pivot." I have read about it, and I have tried to explain it to myself, but I never really fully understood it. And I'm going to certainly ask my colleagues on this panel to explain what the President had in mind when he talked about pivot. Was it a cultural pivot? Was it a military pivot? Was it directed against China? Was it indeed something that had to happen because the Chinese needed to be contained, you know, in view of all that they were doing in the South China Seas? But the fact is that to some extent

India's relationship with the U.S. has been influenced or could be influenced or might be influenced by India's relationship with China and vice versa. So that is an issue that we need to talk about. And, then, there are sort of subjects like -- I mean, or issues like Afghanistan. We have a former Ambassador, U.S. Ambassador of Afghanistan here, so I have to put that word on the -- on this table. But the fact is I think China and India have a common interest in the stability of Afghanistan. Is that the case? Is that going to be the bridge that might indeed bring us closer together? Could that lead to a coupling of economic and strategic interest? Who knows. So, again, that's a question that I think might be worth presenting. But these are just sort of thoughts that a dilatant on the subject, you know, has. It's the subject that I haven't really thought deeply enough about. I have these thoughts, and I place them in front of you because I've been given this honor of being -- of moderating this session. But having said all of this, let me now actually request the experts. And I'm going to change the order a little bit. I'm going to ask General Eikenberry, perhaps, to kick off. I mean, frankly, none of the people on this panel except myself and maybe you, W.P.S., need an introduction but [Inaudible] give it. General Eikenberry was, you know, the U.S. Ambassador to Afghanistan for three years or two years, from May 2009 to July 2011. Prior to that, he had a very distinguished career with the U.S. Army. He was at one point also the General in charge of the coalition forces in Afghanistan. He's currently the William Perry Fellow in International Security at the Center. That's directed by Professor Wook Shin. And, General, would you perhaps talk about the U.S., China, India? Bring it all together, and maybe if you want to throw in Afghanistan, I would be very interested.

Karl Eikenberry: Well, thank you, Chairman Mehta. I also wanted to thank Brookings in India and recognize our charg  here in India, our APARC friend and former colleague, Kathleen Stephens. So the topic that we were to talk about this afternoon is India and Northeast Asia, but I did think it would be useful to start off with providing more of a geopolitical context for India, China, and the United States in the Asia-Pacific region and, of course, the Indian Ocean. And trying to understand the interest of India, China, and the United States in any sub region, it's necessary to understand the broader regional context, and, indeed, with these three powers the global context. So that's what I'd like to do. And I'd like to look at the possibilities, then, for divergence and convergence of interest and possibilities for cooperation or for confrontation in three different areas. One would be economic exchange; the second would be dealing with traditional interstate security issues, and the third would be countering transnational or unconventional threats. And, Chairman Mehta, you've set this up very well with your excellent introductory remarks. First, let's talk about economic exchange. What is very striking, and Chairman Mehta mentioned this, was the degree to which the three states, India, China, and the United States, are placing a premium on economic growth in their national security strategies. And while this is true, though, it's interesting to look at the particular motivations for each country in doing so, because they're by no means identical, and this becomes important if we're look -- to look then at convergence and divergence. For India, at least under Prime Minister Modi, the primary goal seems to be poverty elimination and the creation of a strong middle class. But that's instrumental to him, as he laments the fact that India today still has 30 percent of the population living in poverty, where he sees wealth generation as a moral imperative, but he also sees it as essential if India is going to emerge as a great world power. And, then, for the leaders of the Chinese Communist Party, continued economic growth for them is necessary for their nation to resume its historical greatness, which it enjoyed in the past, but it's also important to remember that it's essential to the China Communist Party leaders if they are to hold on to their

monopolistic grip of political power. And if they should fail at this task over an extended period of time, then the Chinese people will question the party's right to rule, and hence for China's political elite then, economic growth is absolutely the key to their survival. For the United States, for us, there's growing concern that we're losing our international standing as a result of economic problems associated with our mounting debt and inadequate investments in education, infrastructure, research and development. So there is this strong incentive in all three capitals to focus on economic growth, and this is evident from the tremendous emphasis, in the case of India, that Prime Minister Modi has placed on bilateral trade and investment during his foreign travels and when hosting foreign visitors thus far to India. And if you want any validation of this, then just look at the details from the Prime Minister's office press releases after his meetings with President Obama, with President Xi Jinping, and with Prime Minister Abe. Beijing's prioritization on economic growth is clearly articulated in Chinese defense white papers over the past decade, and, for the United States, our emphasis on economic growth is made very explicit in our own national security strategy in President Obama's 2012 defense strategic guidance. So given all of this, it's obvious that China, the United States, and India all prioritize trade and investment in the Asia-Pacific region and why they do so. The ASEAN Plus Three -- China, Korea, and Japan -- the total -- their total of world GDP grew from 19 percent in 2005 to 26 percent in 2014. That's an extraordinary growth. Of GDP measured in purchasing power parity, now, the Asia-Pacific states -- and that counts the United States -- account for the four largest economies of the world. And Asia, since the 2007 global economic fiscal crisis, has been the engine of global economic growth, notwithstanding, though, a somewhat lackluster performance over that period of time by Japan. So America's so-called rebalance to Asia, then -- I didn't use the word "pivot," Chairman Mehta. I said "rebalance" -- should in part be seen in this light, specifically with our pursuit of TPP as well as the bilateral investment treaty with China. China has, likewise, aggressively promoted its own business interest in this region, having put into effect in 2010 its free trade agreement with ASEAN and had great success in that area and still vigorously negotiating a China-Korea-Japan freeway free trade agreement. India, for its part, has for some years now implemented its Look East policy that has an important economic dimension to it, looking at ASEAN. And just three months ago, it was not at all coincidental that Prime Minister Modi made his first trip to the United States via Tokyo. So with all three of these nations, then, committed to vibrant economic growth as one their key pillars of a national security strategy, there would seem to be possibilities for cooperation and positive exchange, especially in terms of foreign direct investment and collaboration aimed at strengthening international economic institutions that advance liberal open economic orders. But there's many constraints in this area as well. China and India's economy, while offering very huge internal markets, are not necessarily complementary in terms of bilateral exchange and are highly competitive with respect to comparative advantages in international markets. And to a trade between the three states right now is highly skewed in the direction of [Inaudible] American exchange. Although Indian and U.S. trade volume has expanded five-fold since the year 2001, it still represents just one tenth the level of U.S.-China trade. And, indeed, China-India itself is only China's seventh largest trading partner and that places it behind the Netherlands; though, there's potential, of course, for considerable growth in this area should India's middle class continue to increase as it has in size over the past decade. China is Japan's largest source of exports and imports, and India does not even appear on Tokyo's list of top ten traders. Like Japan, South Korea's number one trading partner is China. India is the eighth largest export destination, about one twelfth the size of Seoul's China market and about one fifth the size of its

American market, and, like with Japan, it's not on Seoul's top ten list. Also to the extent that the number of students enrolled in higher education studies in a particular foreign country, [Inaudible] stronger future economic interaction between the sending and the receiving states, India has ten times as many as students studying in the United States as they do in China, but it's still -- the PRC today has 2.7 times the amount of students studying in the United States as does India. So I provide all of this data not to suggest that India, China, and the United States can't find ways to cooperatively construct positive-sum economic gains, but I do mention this to make clear that there's some huge existing economic imbalances and asymmetries, and I think the consequences of these will be more pronounced should the global economy enter a period of protracted slow growth or recession. Second, more briefly, let me talk about interstate security issues. The dominant security factor, strategic factor, in the Asia-Pacific region is the rapid growth of Chinese power. And this is of concern not only to the United States and to India, but also to most states in East Asia, especially Japan and several ASEAN countries. To illustrate the scope of the Chinese rise, Chinese military spending was under \$10 billion, U.S. dollars, in 1990. Last year it was \$112 billion, and it's now only behind that of the United States, and it's accounting for 7.2 percent of total global GDP military expenditures. Compared with China's \$112-billion-a-year military budget, India's most recent defense budget was 52 billion; Japan's, 51 billion, and the Republic of Korea, 31 billion. What capabilities the People's Liberation Army of China seeks to acquire and over what time frame and to what end remain unanswered questions and the source of considerable disquiet in Washington and many Asian capitals. China has been increasingly assertive, beginning in 2010, in enforcing very far-reaching maritime claims and seeks to reduce the military predominance in the Western Pacific that the United States has enjoyed since the end of the Second World War. Beijing's ambiguity regarding its interpretation of freedom of navigation in the vast waters that it claims jurisdiction over today is also of concern to all nations that are heavily invested in the considerable amount of commerce that passes through the South China Sea to include India. China has also begun to invest in a network of ports, the so-called "string of pearls" that would permit it to defend its sea lines of communication from the Gulf of Aden to Malacca and to eventually maintain a permanent naval presence in the Indian Ocean. And all of this, of course, is of concern to India. Beginning with the Indian Ocean, India's most recent administrative defense report noted that, as maritime security issues gain greater urgency and relevance, power rivalries in the Indian Ocean region will need to be closely monitored, as India's strategic stakes in the region are of critical significance to its security calculus. But India, like other nations, is also carefully watching PRC behavior in the east in the South China Sea. And this concern over Chinese intentions in the maritime domain has been reflected in New Delhi's emphasis on security cooperation with key partner states. So while India's foreign policy is now dominated by economic diplomacy, this security dimension is also evident. So when Prime Minister Modi met with Prime Minister Abe in September in Tokyo, the two leaders publicly declared wide-ranging shared interest in the security of the maritime in the cyber domains, their stated desire to work with each other and with like-minded partners to preserve the integrity and inviolability of the global commons, and they affirmed their shared commitments to maritime security: freedom of navigation and overflight, unimpeded lawful commerce, and peaceful settlements of dispute in accordance with international law. There's no question who the unnamed country was that this was referring to. After meeting with President Obama in Washington, the U.S. and the India governments, they expressed their concern about rising intentions over maritime territorial disputes. They affirmed the importance of safeguarding maritime security and ensuring freedom of navigation overflight

throughout the region, especially of that in the South China Sea. After meeting with his Vietnamese counterpart in late October of this year, Prime Minister Modi said that the Indian-Vietnamese partnership is important in promoting the two nation's prosperity and essential for advancing peace and stability in the region. He noted again shared interest in maritime security, including freedom of navigation and commerce and peaceful settlement of maritime disputes. He went on to say that the Indian government remains committed to the modernization of Vietnamese defense and security forces and extended an \$100 million line of credit to enable Vietnam to acquire naval vessels from India. Now, added to India's traditional security concerns with China are both its unresolved border disputes and recent PLA provocative actions along the line of actual control and the military dimension of Beijing's special relationship with Islamabad. So as China claims that the U.S. is attempting to contain it, India can also point to evidence of the same, like China, against them. And third and last, regarding transnational and unconventional threats, here, there's more obvious possibilities for cooperation between India, the U.S., and China. Most prominent among these opportunities is in combating terrorism. So with the rise of a global jihadist movement aiming to establish transnational caliphates that are now menacing in their form -- and part of their claim is to reclaim historic Islamic lands, as they say, that were later taken back by infidels and these parts -- and these include parts of India and they include Xinjiang province in Northwest China. So these movements do have the attention of New Delhi, Washington, and Beijing alike. And, in fact, recent developments may lead Beijing to reconsider the nature of its relationship with the Pakistan that continues part by design, part by neglect, and part by lack of capacity to serve as a sanctuary for those practicing the most violent forms of theocratic Islam. Bilateral and trilateral cooperation between India, the United States, and China in responding to Islamic terrorism could have both great symbolic and substantive value, and there's possibilities there for cooperation inside of Afghanistan as well. There's other transnational threats that do open possibilities for collaborative approaches between our countries. These include counterpiracy, most especially in the areas of intelligence sharing and law enforcement. But still there's the question of spheres of influence, and with Chinese offer, I would expect to provide a naval presence in, say, troubled waters of the Indian Ocean, much less welcome in New Delhi than, say, Beijing sending a task force to the Gulf of Guinea off of Nigeria. Nuclear arms control and preventing nuclear proliferation and their means of delivery through cooperation, here, is limited by China's desire to close the strategic nuclear gap with the United States and India's desire to do the same with the People's Republic of China. As well, China's special relationship with Pakistan complicates matters. But still, the United States and India and China do have a strong common interest in preventing further expansion of the world's nuclear club membership and, for this reason, together want to contain North Korea's program and preclude Iran from acquiring the bomb. There's also other opportunities for cooperation in the areas of combating transnational crime including cyber crime, but, even here, the blurring between criminal activity and state-sponsored economic and military espionage from spying place a huge constraint on the possibilities. So to summarize, the India, the United States, and China all have explicit national security strategies that stress domestic economic growth and, accordingly, place great emphasis on maintaining the global and Asia-Pacific regional stability needed to achieve their goals. They also recognize the importance of the commercial value of the markets of the other two nations, as well especially of those of Northeast and Southeast Asia in realizing their objectives those -- though, India's potential has yet to be realized. There's also the possibility, though, that zero-sum game economic competition may emerge among these states, using offers of investment and foreign assistance as a means to deny their rivals access and

influence. We see this, to some extent today, in competition between Japan and China in Southeast Asia. On the other hand, there's still a significant divergence of security interest between China on the one side and the United States and India on the other, with India's concerns most convergent with those of the United States in the maritime domains of Southeast Asia and stretching into the South China Sea and perhaps with Beijing's perceived unwillingness to use its capital to persuade Pakistan to unequivocally abandon its support of various Islamic terrorist groups. There are possibilities for cooperation in the areas of unconventional threats, such as terrorism, but it's not clear that this will be sufficient, even together with the hope for increased economic interdependency to mitigate the security dilemmas that are inevitably resulting as a conjunction of the status quo America undergoing a period of strategic retrenchment, the rapid rise of a nondemocratic China which has a peculiar mix of being an international rising power and yet being a domestic paranoid status quo power. And, three, a democratic India, whose likely continued rise, will lead to the generation of increased power, which in turn will beget new interests. Thank you.

Vikram Mehta: Thank you very much, General Eikenberry. Just a very short question, and then I'll move on to our speaker. You touched on transnational issues and in particular terrorism. I just wanted to ask you if you felt that the ISIS threat was isolated and limited, perhaps, just to the Middle East, or do you see this as sort of a malignant tumor that could infect relationships between, you know, in the northeast and between the neighbors -- Northeast Asian neighbors, the ISIS?

>> Yeah. I --

>> Just a quick --

Karl Eikenberry: Briefly, Chairman Mehta, I believe that the rise of ISIS has focused the attention more of Washington D.C. and Beijing and New Delhi and does provide opportunities for increased cooperation. We're certainly seeing that with regard to United States policy in Afghanistan. If you had asked me two years ago, would the United States be willing to take some risk with further drawdowns in Afghanistan and before the emergence of ISIS, I would have said the answer would be yes. But now you see that Washington's policy is one where they're willing to invest more into our security assistance to Afghanistan. The rules of engagement have been changed. So this fear about ISIS is a phenomenon spreading and spreading into Pakistan, spreading into Afghanistan. The Chinese fear about what would the consequences be for Xinjiang. I think it's providing opportunity for collaboration and cooperation among the great powers.

Vikram Mehta: Is there any evidence that we are actually working towards realizing that opportunity?

Karl Eikenberry: I think that if I look at Afghanistan at the level of dialogue that's going on there now, yes.

Vikram Mehta: Okay. Thank you. We may come back to that. So may I introduce Ambassador Armacost, who is a distinguished fellow at the Asia-Pacific Research Center. He has held several

very distinguished positions, including ambassador of the Philippines from 1982 to '84. He was undersecretary of state for political affairs from 1984 to 1989. And, then, before he joined the most important job of his, the Brookings Institution as the president, he was the ambassador to Japan. So I'm delighted to introduce a colleague, I still say. And Ambassador Armacost, he's going to speak on Japan.

Michael Armacost: Thank you very much. Do I have to do something here? First, it's a great pleasure to be participating in a program alongside a Brookings colleague again. I had seven of the most pleasant of my professional years at Brookings Institution. When I left, I was convinced that, while Brookings was nearly 100 years old, it was one of the relatively few institutions in the U.S. which you could confidently expect would be a big player 100 years from now. And I'm delighted to be out here at the center in India. We have one in China and one in Doha. It's going to be a player internationally as well, a much larger player than I envisaged in my years. I wish I had been -- had the wit as [Inaudible] international as the institution. I want to speak very briefly about how the India relationship looks if you're in Tokyo and particularly under Prime Minister Abe. He came to power, as you know, a couple years ago at a time when Japan had been stagnating economically for more than two decades, and he brought hope that he had a formula for changing that. And partly through traditional instruments like monetary and fiscal policy and partly because he seemed to have the courage to step up to structural reform issues, he's done, I think, a lot on the first two; he's done a little in terms of specifying areas in which he hopes to move on stuff to reform. Those have been postponed. They're a lot harder. And, of course, he's immediately preoccupied with an election, but that may give him more time with which to address the other issue. When Mr. Abe looks at India, it seems to me, what he sees broadly is a rather trouble-free relationship. But it's not just the absence of trouble that I think is impressive to Japan. It's the opportunities, which exist for shaping a really gigantic relationship. And in the economic sphere, what I see is a huge country, a growing middle class, a sophisticated labor force, and a need for capital flows and technological prowess, which Japan has in abundance. So it's the complementarity of those economies and the growing economic interdependence that is impressive, I think, to the Japanese. It isn't, as Karl has said, one of the biggest trade relationships Japan has, but it's a solid trading relationship, and it's growing. The flows of foreign direct investment from the private sector are growing, and they're scheduled to double over the next five years. As Vikram said, from the government's standpoint, this is the biggest recipient of Japanese official development assistance, and there's a pledge for 35 billion additional dollars in projects, primarily focused on transportation, renewal of railways, industrial corridor infrastructure and so forth. So it's a gigantic relationship that's destined to grow and to become important at a very critical time in Japan's economic evolution. Second, too, Mr. Abe came at a time when security policy -- he was committed to change. Now, that has been occurring in an incremental way since the end of the Cold War. Japan outsourced a lot of its security policy to us during the Cold War, so we took care of the over-the-horizon security problems, and if we asked for compensation, it was paid in the form of additional financial support for U.S. troops stationed in Japan. But I think today Japan has been impelled toward a more ambitious security strategy by three factors. One is the greater sense of anxiety about China, because its power has grown; its assertiveness has increased, and among many Japanese, there's a palpable sense of danger that's focused on this territorial issue in the East China Sea. Second, I think the Americans cannot deny that there is in Japan a greater anxiety about the reliability of the U.S. We are going through a tough patch in our own national life, and it's only natural for Japan to wonder, since it's been so

dependent upon the U.S., whether or not that dependence is warranted and how it can be diversified. Thirdly, when I went out to the Philippines in 1982, I remember my wife was visiting Cabinet Members and she would come home with these horrible tales about -- from Cabinet Members' wives about how the Japanese soldiers had treated young Japanese -- or young Filipino babies and all that kind of stuff. And today the Philippine government is calling on Japan -- as there are a number of other Southeast Asian countries -- calling publicly for Japan to take on a larger, more ambitious security role in the region. So I think the combination of Chinese power, uncertainties about the U.S., changing attitudes among other Asians has encouraged Japan to look to take on a more ambitious security role. And they have done so. They have done so by amending a number of the self-imposed limits on Japan's defense policy. The most recent one that they've amended has been the export of military equipment, which opens up a new dimension for security relations between Japan and India. They have done so by creating a national security council to assure the coordination of the various instruments of foreign policy. They have done so by reinterpreting the collective right of self-defense. They've always claimed that right, but they've always self-consciously insisted that they wouldn't exercise it. Now they specified, rather precisely, the detailed conditions under which they might exercise it. They are moving their forces, which were deployed for years up in the northern island, Hokkaido, south, because Russians don't present the threat now. They're moving it toward the threat that they feel could come from China and to defend the southwest island, which they feel are now in peril. They have been expanding their security connections with a variety of other countries: India, Australia included among a naval power. But these Southeast Asian countries, there's naval cooperation being expanded with the Filipinos, the Vietnamese, and a host of others, including not only the sale of equipment, but a lot of their joint training. So in a variety of ways, the Japanese are taking on an enlarged security responsibility, and when they look at India, they see a country that shares with Japan a concern about the safety of sea lanes through the Indian Ocean, the South China Sea to the East China Sea, and they see a country that wants to keep China at bay; although, I think the Japanese increasingly recognize that that's a greater source, because the verbalizing of that anti-Chinese sentiment is a matter of greater sensitivity here in India than perhaps now it is in Japan. In any event, the security role is changing, and it is reflected in a growing sense that India is a strategic partner. The third, Mr. Abe, as you know, has been a revisionist of sorts in the history realm. I personally regret that he's focused so much attention on that, because it has complicated his relations with his nearest neighbors in China and Korea, and it has also complicated, I believe, the acceptance elsewhere in Asia of this growing security role. The Chinese have sought to brand that as a reversion or a revival of Japanese militarism. It's nothing of the sort. It's difficult to imagine a country whose population is both aging and declining and which faces these extraordinary public finance dilemmas turning to militarism. But the Chinese are attempting to put that brand on it, and it's a little harder to dispose of that brand when the revisionist history issues keep coming up in an unfortunate way. But I mention this because in Japan's relation with India, there's no historical baggage. The relationship has been continuous in a formal way since 1952. The collaboration was there when India, of course, fought alongside the imperial forces from Japan against the British back in the 1940s. So I think it's one of those relationships which Japan feels comfortable with because it doesn't confront the historical issues. And, finally, I would say that from a political standpoint the relationship is also free of trouble. Both countries are democracies; both countries are -- have large Buddhist populations, and Buddhism was mediated, of course, into Japan through Korea and China, but it gives them a common cultural background of, I think, real consequence. When

you take public opinion polls in Japan, India always rises to among the highest of the countries, which is a favorable rating by the average Japanese, and I think the same is true in India of Japan. It is a country, which share -- the two countries share this desire for greater international recognition through a permanent seat on the security council. These are countries that have developed a very elaborate structure of consultations from regular visits between the Prime Ministers, and there's a tremendous personal rapport, I think, between Prime Minister Abe and Prime Minister Modi. But on virtually every subject, there are huge numbers of dialogues, as we were being informed this morning by Kathy because many of our interlocutors, or the American interlocutors, show up and seek a free room at Kathy's residence. So wherever you look, it seems to me Japan sees in this relationship something that's quite unique: a huge economic future, a strategic partnership on security questions, a relationship that's free of the kind of tensions that strain their ties with Korea and China, and a country which shares a host of common political perspectives and common political interests. So I would say if you were looking at this like a weather forecaster, the Japanese would view this as a situation which there are sunny skies; there are very few clouds on the horizon, and the forecast is for, perhaps, occasion squalls but, generally, a continuation of the current good weather for a long time to come.

Vikram Mehta: Thank you. Again, may I just ask one quick question? Did you make much of the handshake between Abe and Jinping, the President of China?

Michael Armacost: Xi Jinping? Yeah.

Vikram Mehta: I mean, someone reported that it was actually a [Inaudible] handshake.

Michael Armacost: Well, the atmospherics were not particularly good, but at least it provides a starting point for a rewarming of that relationship. But, you know, for a long time, the territorial issue was on the shelf. I think in the early days after 1972, 1978, there was a kind of -- perhaps a shared understanding it was in the interest of both countries to handle that with great delicacy. The Chinese had said they would leave it to future generations to resolve. The Japanese handled it with great delicacy. Whenever landed -- the Chinese or Japanese landed, they got them off the island quickly. They didn't build any permanent structures; they didn't send military forces down to that area; they didn't allow collateral exploitation of the material resources in the surrounding sea. So they handled it, I think, with great delicacy. Then, two incidents occurred in 2010 and 2012. One involved an inebriated Chinese fishing captain who rammed a Japanese Coast Guard vessel, and the Japanese thought for a time about taking him home and prosecuting under Japanese domestic law, which incensed the Chinese, and they reacted in an over-the-top way. And then in 2012, of course, there was the Japanese effort to avoid having Governor Ishihara of Tokyo buy three of the islands, so they bought them themselves. That, of course, set off an effort by the Chinese to create what amounts to a parallel or competing administrative controlled regime, and that has become increasingly dangerous. I think both countries recognize the danger; both, I think, don't want to go to war over these five small islands. And the handshake represented a decision by both sides to formulate a diplomatic formula which allows both to save face at home, to try to claim a certain triumph at home, but to get the issue off the front burner and to create some kind of mechanism of communication between the militaries so that they can better manage incidents. So I regard it as a good thing. It has not changed it absolutely. It requires careful management on both sides, but it was a significant [Inaudible].

Vikram Mehta: Oh, good. Professor Gi-Wook Shin as the director of the Asia-Pacific -- Shorenstein Asia-Pacific Research Center, and he has a very distinguished academic background. Before coming to Stanford, he was at the University of Iowa and the University of California. He is now the head of this center, and he's also a professor of sociology. Professor, you're going to speak on Korea.

Gi-Wook Shin: Yes.

Vikram Mehta: South Korea. So...

Gi-Wook Shin: Thank you. As you know in the media, you know, bad news sounds better, right? And so you get more attention when there's a tension between countries. But when you think of relations between India and South Korea, I cannot think of any really bad news or major tension. So let me start with a story that I learned or heard when I was very young in Korea. And maybe Professor [Inaudible] can confirm this is true or not. But according to this legend, about 2000 years ago, a princess from the Uttar empire of India came to Korea, marrying King Suro, and they had ten sons and two daughters, and they begun, like, Gimhea Kim clan, and that clan accounts for about ten percent of the Korean population. So if this is true, then one out of every ten Koreans have Indian blood. Is that true?

Question: Well, they've said; meaning, there is a legend, and I feel even if there isn't true historical evidence, why not promote it, because it's a win-win situation for both countries.

Gi-Wook Shin: So that means that Indian-Korean relations goes back to 2000 years. But now let's look at today. I think economic relations between two countries -- I mean, you know, India and South Korea is becoming more and more important. As you know, two countries signed free trade agreement about five years ago. In 1973, the trade volume between India and South Korea was something like \$15 million. But let's say, you know, now, you know, many billion dollars, so it grew really substantially. And like, you know, free trades every month through the years [Inaudible], you know, this trade agreement with India recognize products from Kaesong. You know, Kaesong is industrial complex in North Korea and is also South Korean product. And I believe that there are more than 600 Korean companies operating in India. Actually, some people began to use this story. I don't know how popular this is, but, you know, KorChindia, so Korea, China, India. I mean, you know, some people use the term "Chindia," right, China-India, but now they are adding Korea into these two country, saying that, you know, with all due respect to Japan -- so those three countries is new engine for Asian growth. Actually, right now, you know, China, India, Korea, they are the top three countries to send their students to United States, and that's true at Stanford University as well. In Silicon Valley where we live, Indians, Chinese, and Koreans make up the top three largest ethnic groups in tech companies. I think about 50 percent of tech companies in Silicon Valley come from those three countries. So I think my point is that, economically, India and South Korea are really improving their ties and relations. Now, we have Korean Ambassador in the audience, and maybe you can correct me if I'm wrong in my presentation. So in India, Korean community has grown substantially, you know, with Korean companies like POSCO, Saehan Motors, Samsung, right? And understand there are over 10,000 Koreans live in India, and, you know, I think there are three universities in India have Korean

studies program. And also in South Korea, Indian, you know, present. I think there are very few places to teach about India in Korea universities. In India, there are three centers of Korean studies. So I guess my suggestion and what I even propose is that the two countries really have to work hard to improve our mutual understanding of their history, tradition, culture, and so on. So I am very happy to see three centers of Korean studies at India, and we will be visiting two of them tomorrow, JNU and University of Delhi, but I sincerely hope that, you know, Korean government can more and better support Korean studies in India and then same thing for Indian studies in Korea. So let me end that way. Then, I hope for final questions or comments. Thank you.

Vikram Mehta: Thank you very much. So I'm going to ask Professor Sidhu, who is from Brookings -- senior fellow at Brookings India and a senior fellow at Brookings Institution to give his comments. And if I understand correctly, W.P.S., you're going to wrap it all up and focus on India. And, then, we will have, I hope, at least half an hour for questions and answers. And as the professor said, he really would like to hear from you. You, like, learn as much as respond. So...

W.P.S. Sidhu: Well, Vikram, thanks. I think it's going to be very difficult for anybody to try and sum up, you know, such a rich discussion. But what I'd probably like to do is present a little bit of a point of view from New Delhi and then also throw up a set of questions which may be worth kind of further exploring and looking into it in some more detail in the Q and A. Now, you know, no self-respecting panel on foreign policy can do without its share of acronyms. And I think I need to begin with two to try and explain what is the range and scope of India's security concerns today. And there's two sets of acronyms: TTP and TPP. Both of them, I think, would be familiar to panelists but certainly to General Eikenberry: the Tehrik-i- Taliban Pakistan and the whole sort of transnational terrorism that General Eikenberry talked about; two, the Trans-Pacific Partnership. And how that sort of relates in some ways is really the spectrum of interest and concerns of India as we stand today but certainly of this government. If, again, just to elaborate on that and expand on that a little further, if I was to be asked, what is the one fundamental objective of the Modi government, it would be simply for India to become the third largest economy by 2025. And by the way, that may seem way into the future, but, in fact, it would probably be at the end of the second Modi term, if there is a second Modi term. So it's actually not so far into the future. And, incidentally, even a desire to emerge as the third largest economy in the world does have historical linkages, because very much like China, India and Indian experts will point out to the 1500s, where, again, you know, between China and India, they had 50 percent of the global GDP, roughly about 25 percent each, give or take a little bit. And so that remains one of the key drivers even today. Now, to achieve this fundamental goal, India needs to strive towards creating two conditions. One is a no-war conflict, kind of a no-war scenario certainly in its immediate neighborhood, but also, I think, broadly globally and, hence, I think, you know, India's sort of hesitation at the spur towards, you know -- or move towards conflict or other kinds of challenges, particularly in the Middle East. And, here, Northeast Asia really poses a key challenge, because, you know, for the longest time after the end of the Cold War, everybody was focused on intrastate conflict, and, in fact, many of the conflicts that we see -- you know, the major powers involved in were interested in conflicts. But perhaps for the first time since the end of the Cold War, the possibility of an interstate [Inaudible] is actually very real in Northeast Asia, more than in any other part of the world. Some might say South Asia and that remains the case too, but I think Northeast Asia is another critical area that we need to

focus on as well. The second sort of set of conditions that India needs to create is build global institutions that are going to advance its economic objective. And this is really in areas where there are no institutions, norms, at the moment, and these relate right from climate change. You know, Professor Shin, you talked about this being like California weather. I think in some ways, that is the impact of climate change that you're starting to see here as well. I think, you know, Indian winter is probably even better than California weather, I dare to say. So on climate, on cyber, on energy, on trade, on oceans we talked about, on outer space, all of these are issues that we need, you know, to build institutions and norms because they don't exist, really, at the moment. And, here, again, India is seeking for keen partners to work at in that sort of direction. So this brings me to the fundamental question of how New Delhi might look at two or three key actors in this desired objective. One is the United States, obviously, because, you know, given the new sort of oomph in the partnership going forward, but the second is the role of U.S. allies. And I want to touch on both of those briefly, Vikram, before I end. The fundamental question, I think, that New Delhi, one, is asking of the United States in particular is not necessarily whether the U.S. position is becoming weak or irrelevant. I don't think that's a question that is being asked in New Delhi at all. I think that's a given. That's taken as granted. The question is, as this world is moving into a post-Cold War world -- post-Cold War world and evolving into a new world order, what is the fundamental U.S. objective? Is it to preserve the status quo as it exists, or is it to work with countries like India and other potential allies to evolve a new world order? Because if it is the former, then frankly, it's a Herculean task for any country including the United States. Because while the U.S. will remain the primary power, it is no longer in a position to determine or preserve the world as it exists today on its own, and that becomes an important kind of role to see how India might evolve in that direction as well; however, if the U.S. is cognizant of this transition and is keen on leading the transition, then it remains to be seen how the U.S. would want to engage India and other allies in that transitional process. And, here, frankly, it's not quite clear what the process of thinking is in the U.S., and, I think, you know, to be fair, it's evolving. So on the one hand, there's -- there was many talks -- talks that you might also be familiar with of the G2 of really kind of going back, if you like, to an era of superpower relations with the U.S. and China instead of U.S. and the Soviet Union. And that makes people in India extremely nervous, because the sense, then, is that, look, if that's what going to be the case, then why would India necessarily want to be supportive or engaged, and what would be the objective in that process of engagement as well? And just to highlight or give a vignette of that concern is the bilateral U.S.-China deal on climate change. Now, I think this is really good for climate change, but I think there should also be a dimension of engaging with other countries which are going to be important in trying to evolve an institution for global climate change; i.e., India, and where is that conversation going to happen, and how is that conversation going to happen? Where will the U.S. want to lead it? Now, in this context, just another element that was talked about as well, the South China Seas, it's a very particular situation that a country which is actually signed up to the laws of the seas is the one which is challenging the basic principles of that, whereas a country which has now upholding the laws of the seas, rightly so, has actually not ratified the treaty. And I think you can see there's a little bit of a tension, you know, going forward there as well. Just touching, parenthetically, on climate change, there's also the element of nuclear energy. And I'm going to come back to this a little bit in the role of the U.S. allies going forward. So let me talk about the two key allies that have been talked about here: Japan and then Korea, the Republic of Korea. And Ambassador Armacost was absolutely right in saying that, you know, Indians fought with Japan -- with Japanese in the Second World War, but

India fought with the allies against Japan. And it's actually quite interesting that the Japanese onslaught right up the Burmese peninsula was finally stopped at Bohema [Assumed Spelling], you know, and that, I think, is something that we need to -- well, by the way, a little help from the United States and the United Kingdom. In fact, it's ironic that the base where B-24 Liberator bombers flew into China is today becoming -- is now the base of the first, I think, mountain assault division being created against China. So I think it's a very interesting kind of dynamic going forward there as well. So I think vis-a-vis Japan, Ambassador, you're absolutely right. I think, you know, it is a good-news relationship with a few dark clouds, and one of them is actually on the nuclear dimension. I think the Japanese have two reservations on the nuclear front. One is on India's status as a nuclear weapon state. That's something that is going to be very difficult, a reality for Tokyo to accept, but I think it's going to be an important reality for Tokyo to accept to move the relationship forward. The second is on the nuclear deal. You know, today India is having very serious nuclear negotiations with ROK. In fact, there were negotiations just two days ago in New Delhi. It is also now thinking of having a similar dialogue with China. But the one country with which it needs to have that dialogue and which is not going forward is Japan, and that has implications not only for India and Japan, but also for nuclear power plants to be built by the United States and France in India. So I think it's got to -- you know, if you like, a multiplier effect which needs to be addressed as well. Last but not the least, let me turn very quickly to India-ROK relations. I completely agree with Professor Shin that this is very much a good-news story. In fact, some Indian scholars and experts have said that the BRICs acronym, as it stands today, will only be complete if you have Korea added to that as well, and it would actually be more accurate too. The one dark cloud, if you like, in the bilateral relationship is ROK's membership, what is known as the Uniting for Consensus club, and this is a group of countries which are not necessarily as enthusiastic of the reform of the UN Security Council. Now, of course, ROK's relationship in that -- or role in that is really driven from its relationship vis-a-vis Japan. But I think it is something that India, you know, also needs to look at and see how that's going to play out, given India's ambitious to play a greater role in the UN Security Council. So I think part of the limits on Indian's greater engagement with Northeast Asia is also the relationship between the various U.S. allies in the region. And, here, I'm particularly talking about the relationship between Japan and ROK, which is as problematic for Washington as it is for New Delhi. So let me, then, kind of end on what may be one possible way forward in looking at Northeast Asia in a slightly more cooperative approach among these major powers. This is not an original idea. Ambassador Shyam Saran, you know, the Chairman of the National Security Advisory Board, among others, have suggested this, and that is the idea of something like an Organization for Security and Cooperation in Asia, or, if you like, OSCA. But it's obviously not going to be like the OSCE, very different. But I think this may be something worth exploring and, certainly, one that I hope your center, Professor, will take up, and certainly Brookings India would be very happy to work on that going forward as well. Thank you very much.

Vikram Mehta: Okay. Well, thank you very much. That is a very interesting overview, W.P.S. Look, I am certainly not going to try and summarize this brief discussion; although, I have some clear takeaways, which could be, perhaps, succinctly stated. I mean, economics, yeah, that's the driver of the relationship between India and all of the three countries we have talked about. But there are limitations to how far we can build on economics or allow economics to build a strategic and [Inaudible] relationship going -- that extends towards the long-term. There are political limitations; there are cultural limitations; there are strategic limitations. How are we

going to resolve those limitations, I think, is the big question. And every country has India vis-a-vis. Each of these countries has a very specific challenge, so, India and China, we all have talked about that ad nauseam. The border issue, of course, still remains. India and Japan, you have just touched on the nuclear dimension. That's an issue. India and Korea, it's not a strategic issue, but, clearly, our relationship cannot go forward if you don't have a better understanding of who we are and what we are; what's the cultural sort of nuance underpinning this relationship. The fact that there are no institutions, which is something you had touched on; although, there are a very few institutions that bring us together, I think, is a good point. It needs to be tackled. And, then, the role of the U.S. How is the U.S. going to actually play a role in this area in this region, and will it be a constructive role, or will it be dominated by its own rivalry or its own relationship with the U.S. -- or with China, in particular? And will India be seen as a bridge between -- or as a counterweight? What -- there are so many questions. So this is a rich kind of a subject, but at the end of the day, I think what's driving everyone at this point in time, with the leadership in particular, I sense, is really the economics. There's huge economic potential and huge economic sort of opportunity, and if those can be realized, then I had, for one, believed that some of the other issues begin to sort themselves out. It's not going to be easy, but they begin to. In the risks of an unintended conflicts, our conflict become reduced considerably. Look, I have so many questions, but I really don't want to hog this. We have half an hour, and if, of course, the group sitting in front of me does not have any questions -- and that's going to be the case. There were -- several hands have been raised. I will -- so may I ask -- yes, but first, could you please -- could you introduce yourself and --

Question: Yes. My name is Joon-gyu Lee. I'm South Korean Ambassador based in Delhi. I've been here slightly more than two years. First of all, I must express my opinion about the future of India. I have been very happy to witness the big change happening in India. You know, in last May, Indian people chose Modi government, and the Modi government is moving toward the brighter future of India. Maybe in a couple of years, I expect that we might be talking about a rise of India instead of a rise of China. And let me slightly touch upon the valid relationship between Korea and India. We have kept a very good relationship. Since we may talk about our relationship for thousands years, this -- we are expanding this relationship from economic fields to other fields, including, you know, strategic, political, even military fields. That is based upon the strategic partnership, which was concluded in 2010. I totally agree with Professor Shin on the point that we should expand this relation to more social and more cultural fields. We are very much aware of that. So that's why our two governments set up cultural centers in both capitals of our countries. Both cultural centers are doing their role very much in promoting our culture to the peoples. And the Korean language promotion, Korean government is doing -- is being hard to do that. As an Ambassador to India, I'm trying very hard to increase the money in supporting that Korean language centers in universities. So as time goes, I expect that the bilateral relationship between our two countries will improve a lot, and we may see, you know, the one more very good couple in the world. I express it the best friends in the world, as Professor Shin expressed that our two countries has no conflict; namely, we don't have any border -- sharing border. We don't any history of conflict. So there is only things for us in which we can and we should cooperate. So as an Ambassador, I have an ambition to make our two countries, to make our two peoples, the best friends in the world. Thank you.

Vikram Mehta: All right. Thank you very much. That really rounds it off. Thank you. Yes, sir, you're next.

>> Thank you, Mr. Chairman. I am talking to Ambassador Eikenberry and his India-U.S. --

>> Just tell us who are you, please. Introduce yourself.

>> I am Professor Lamba from Delhi University.

>> Thank you.

Question: I'm talking to Ambassador Eikenberry and his talk about India-U.S.-China relationships. Sir, I recall when Einstein was teaching at Institute of Advanced Technology, Princeton, New Jersey, he sat one year examination paper and gave it to his teaching assistant. And his teaching assistant said, well, this is the same paper you gave last year. He said, yes, it is, but the answers have changed this year. India government has changed, but I think answers have not changed. Fifty percent -- my information is 50 percent of the deficit of American government of \$13 billion and a lot of change belongs to China. So in this scenario, how do you look at that relationship between U.S. and India and China with China? Our [Inaudible] concept is Walmart. Thank you.

Vikram Mehta: Okay. I'm going to -- I'm going to just hold off, if you don't mind. I'll just take a few questions, and then -- so if you don't -- yes, sir.

Question: General Dipankar Banerjee with the Forum for Strategic Initiatives in Delhi, a think tank. Brilliant presentations. Two issues. Firstly, on the security question, as one looks at the scenario in Asia, in spite of all the issues and problems in the South China Sea and the East China Sea, perhaps the immediate problem in Asia has got two-faced. From further [Inaudible] in the rise of not the TTP so much as the ISIS, I think some very fundamental challenges are being thrown out as a consequence of this recent development, which will affect fundamentally: firstly, of course, Afghanistan and its transition and, secondly, of course, the developments of all South Asia. Do you see any possibility of cooperation amongst the Asia countries -- and, here, of course, very importantly, that of China -- to accept this as a vincible challenge and, therefore, to build cooperation amongst countries to deal with it, of course, well aware of the recent developments in Xinjiang, specifically from March of this year and all that has happened in the intervening months and the concerns that have grown in China regarding dealing with this problem? Yet its economic interests and activities are attempting to link China radically with South and -- South Asia, the southwest part of Asia [Inaudible]. How will that be affected? The second issue is very [Inaudible] regarding the issue of the new world order. The principle challenge that arises, I think as Kassinja [Assumed Spelling] highlighted in his recent book, that the perception of world order in Beijing is fundamental different from how the rest of the world looks at the possibility of arranging an international relationship -- and, here, the question of that the son the heaven, the direct concept of power through China to the world, et cetera, is total [Inaudible] the relationships of China with its neighbors and that with the rest of the world. Do you think -- do you see any possibility of that China's concept of the middle kingdom perception

of world order changing and adjusting to the realities of tomorrow in Asia and the world? Thank you.

Vikram Mehta: Yes, sir, ambassador.

Question: I am [Inaudible], former ambassador to Korea. In Northeast Asia, we have a bold Japan and Korea strategic partners, but, of course, Japan and Korea don't see eye-to-eye on many matters. We also have a [Inaudible] trilateral dialogue between Japan and Korea [Inaudible] involved with that. But the impression one gets is that it is not getting much traction. It is a trilateral dialogue. So my question to the panel is what could be the suggestions that -- of the subjects if that trilateral dialogue would be [Inaudible]? And one idea which comes to my mind is that India -- for India, Myanmar is very, very important, very critical to our peace policy, and Myanmar so strengthening of the [Inaudible] institutions in Myanmar, India, Japan, and Korea together, and that will effectively keep China out, and also the three countries, I think, together for this construction of the road from India to Thailand, because that is very critical for our peace policy, and not much is happening in Myanmar [Inaudible] of the construction of the [Inaudible] in Myanmar keeps on getting shifted from 15 to 16 to 17 to 18.

Vikram Mehta: Okay. So let's -- there are four questions on the table, and, essentially, the first is what is the consequence of the trade or economic imbalance between China and the U.S.? The second is what -- I think this question, actually, you did answer already, but Professor might want -- might want you to repeat what is -- is ISIS a threat to South Asia and Northeast Asian region? Is there opportunity there? Third is what is the China world view, in effect? Is it interested in global governance? Is it interested in being part of the global community? And the fourth is what are the [Inaudible] and opportunities for the trilateral dialogue, you know, and can that be also extended to include Myanmar and [Inaudible] factor in building relationships. So I'm going to just ask each of you -- maybe you don't have to necessarily answer, but I'll perhaps start with you, General, and answer whichever of those questions you wish to answer.

Karl Eikenberry: Well, on trade with China, it's true that the United States has our own huge trade imbalance with China. I think bilateral trade is \$500 billion a year, and I think out of that we've got about a \$150 billion trade deficit, so it's sizable. China is a large holder of U.S. treasury bills. It holds a significant portion of our debt. On the other hand, some of the fundamentals in the relationship may be changing. The cost of wages in China are increasing. It's not as attractive a destination now for foreign investment that it was. China's population is starting to age. They've got now fewer people going into the workforce than are retiring. And if you look at the demographics of India and if you look at opportunities in India from the United States's perspective, they're quite attractive. So I think the possibilities for over the next several decades to see a shift in favored destinations away from China, with another factor being that China as a result, I think, of it's very assertive foreign policy that it's had within the region over the last decade has more within the region that are looking to diversify, and nations are worried about their own dependency. So there's possibilities there. And I don't know, Kathy, if you wanted to add anything there on U.S.-India economics. On the rise of ISIS, what we're facing is that there's three -- there's three factors that are at work here. One is, in certain parts of the world, there's a breakdown of very fragile states. So breakdowns of state we're seeing now in the extreme in Syria, which is almost disintegrated. We see the potential for that in Afghanistan if

the recovery of Afghanistan should stall out and have reversion. We see -- so internal within these areas, you have a second factor, which is often related, and you have states on the outside that are fighting proxy wars in these areas. So in the case of Syria, you can talk about trying to fix what's inside of Syria, but you probably more appropriately would start in Ankara and Riyadh and in Tehran to talk to them about the proxy wars that they're fighting in those areas. In the case of Afghanistan, it's important you start in Islamabad because of a semiproxy war that they have been fighting there for many years now. And, then, third, you have this very severe threat of just the -- this romanticism about the idea of going and fighting for theocratic Islam that is starting to be seen in western societies and certainly being seen in Pakistan to a very worrisome extent. It's even seen in Tunisia. The largest number of recruits from abroad that are fighting in Syria right now are coming from Tunisia, which is trumpeted as a success so far in the very disappointing Arab Spring that occurred. So these are all important factors. And, then, how do these -- how to deal with these, the possibility for collaboration and cooperation among various powers. The United States, China, and India, I think they're there. In the case of Afghanistan, what is needed is Afghanistan needs two things to succeed. It needs a continued level of international support; it's going to remain an aid-dependent country for many, many years, but it's had tremendous success over the last 12 to 13 years. The Afghanistan of today is on a different planet than the Afghanistan to 2001, but they are going to continue to need foreign aid, and they're going to need continued security assistance support. So I was very happy to see that President Ashraf Ghani, on his first trip abroad, went to Beijing, and he got a commitment from Beijing. It's 300 million more dollars of aid, and Beijing also said that it would get involved in trying to deliver a political -- or help with the political settlement, which is the second requirement in Afghanistan. They have to have broad political reconciliation that goes beyond reconciliation just with the Taliban. But the fact remains that you've got spoiler countries around, so even if China, India, the United States, Russia, everybody collaborates and works hard to provide support to Afghanistan that these spoiler states, Pakistan, Iran, they -- because of the fragility of the situation there, they can upset things enough that no matter how much external support is given, they're going to set things back. So I think Afghanistan is good as an example to look at how the world should be seeing these different problems of the current manifestation of theocratic violent Islam being ISIS, but it will probably mutate into something else. And, finally, on China, the question of how does China see the world and what do they see their role in the world as being, when you look at the international norms and rules that are out there of which China by being -- playing within these institutions has benefited greatly by, I think the question for the world, the question for the United States, is that given that there's a redistribution of global power going on right now -- of which India is a very big part of, power-shifting to India -- are the rules -- the general rules and principles, are they going to be followed? But, of course, then, based upon the redistribution of global power, should more voting rights, so to speak, and amendments be given to these growing powers but still follow the same general rules of open trading orders and liberal political systems? Or in the case of China, when they talk about, well, the institutions, they're not satisfied with them. Do they want a revolutionary change in those institutions, in which case I think this would cause -- could cause great tension in years ahead.

Michael Armacost: Just a couple comments. I think on the China-U.S. imbalance, we're their biggest market, and they're basically financing our deficits and offsetting a relatively meager savings rate in the U.S. So the Chinese are performing a great service for us, I don't think out of any good will for the U.S. particularly. It's just the way that they're recycling the balance in a

way that actually helps us. But it highlights the ultimately basic fundamental of the U.S.-China relationship. Because we are so economically interdependent, we've got a key stake in economic and political engagement with the Chinese, constructive engagement. At the same time, as Henry Kissinger has said that Asia looks a lot like 19th century Europe. It doesn't look like 21st century Europe, and, therefore, the kind of balance among states is critically important, so we hedge. So the U.S. relationship with China is always in search of a delicate balance between engagement on the one hand and hedging on the other. I think the Obama administration started out with a heavy lean toward engagement, and when Mr. Obama came back from his first trip to China, he felt kind of like he'd been pleased, and we then shifted more toward hedging for the last couple of years. I think many were surprised at the positive outcome of the APEC meeting, and it demonstrates, again, that when we put our minds to it, there is something in it for both sides when we can collaborate. I think the agreement on climate change was helpful, because many other countries can take a walk on the climate change issue if the U.S. and China, which are the biggest polluters, can't do anything. When we demonstrate we can do something, it requires some real change in both countries. Then others are robbed of an excuse for doing nothing when we get together on a broader, more collateral basis. And we'll keep searching for the proper balance. The focus on these territorial disputes kind of put us in the direction of hedging, because we've got allies who have territorial claims. We retain neutrality with respect to these claims, but the Japanese are close allies, and the Filipinos, we think, are in jeopardy of being bullied by the Chinese, and so we bolster our allies in that way. And one comment on ISIS, it is ironic that we get out of Iraq, and what's the result? We're confronted with a more virulent strain of Islamic extremism. I think our experience in the Middle East over the last decade or more suggests to me that we don't want to be the key coalition partner. I think it has to be, we can provide air power; we can provide help to the Iraqi and some others; we can provide a lot of behind-the-scenes support, but I think a coalition against ISIS needs to be led by Muslims, and ISIS represents a much greater danger to Muslim countries in the neighborhood than it does to the United States. So I think a key question for the U.S. is how in the world we manage to play a helpful responsible role without taking over this enterprise as an American enterprise, which will contribute to refueling recruitment for their Muslim extremist, I fear. So that's my take on it. And as far as Northeast Asia is concerned, my experience is more in Japan and Korea, and I don't think it inspires a huge fear in either country because they're racially homogeneous. They don't have Muslim to speak of, so it doesn't represent the kind of tangible palpable threat to Japanese and Koreans that it does to some Chinese who have to worry about Xinjiang. It's been pretty violent up there recently. So I think you get a little different reaction from the Chinese than you do from other Northeast Asian countries.

Vikram Mehta: Sir, would you like to say anything?

Gi-Wook Shin: Sure. Yeah. So let me mention about some security challenges that South Korea is facing. In my view, geopolitical landscape in Northeast Asia in transition, and I think that's, you know, posing big challenges for South Korea. You know, for example, you know, U.S. still remains the main military ally for South Korea, but China has become so important economically. As you know, you know, China has become the largest trading partner of all South Korea, and, you know, South Korea really has to be very careful not being in caught between China and United States. I think one example, you know, lately, U.S. has been asking South Korea to deploy [Inaudible] and -- but China has protested, so pushing, you know, pressing

South Korea not to do that. So that's one example, but I think it's a dilemma that South Korea may be at war already facing a dilemma, you know, between two big powers. And as mentioned also, South Korea and Japan are still fighting over, you know, history issues. And, you know, [Inaudible] and Abe, you know, has not yet done any -- and, you know, in a former summit, and some people saying that they will be summit between two leaders, right? So it's a very tough issue on both countries. And both Japan and South Korea are main allies for United States, so I think that's a big challenge. And third one, nobody really mention about North Korea, but, still, it's there and led by a very young leader, and I don't think those [Inaudible] will collapse any time soon but, still, a lot of uncertainties for the future of the country. So I think all combined, I think right now South Korea is facing, you know, big challenges, and it won't be easy, you know, to figure out all those projects.

W.P.S. Sidhu: Very briefly, two points. I didn't mention ISIS because it doesn't rhyme with TTP. But more seriously, it is relevant. It is important, and everything you want to read about ISIS and the threat to South Asia is out in the briefing book that we've just put out, out there. But I think there's -- you know, I think, you know, General Eikenberry has really put it very well in terms of the kind of three levels of threat that we're trying to -- you know, seeing from radical Islam, if you like. But I just want to point out a couple of dimensions there which are worth exploring. One of them is we're also seeing people in ISIS and in those countries who are actually not Muslims, and they're from Europe. In fact, some of the most brutal fighters have been from Europe. And this in a way, I think, is a little bit of an alarm bell as to countries, you know, which are having issues with their own multicultural, multiethnic identities. There's a serious alienation going on which is transcending some of these kind of challenges and how do you address that? So I would agree with Ambassador Armacost. I think, you know, you need to have the countries in the region taking the lead, but I think Europeans and -- would also need to look at their own domestic situation to see why this is starting to happen. And second is, you know, what kind of force do you want put together? Does something like ISAF actually work? Would that be one model to explore? And what -- you know, what kind of countries might be involved there, I think, is something worth exploring as well. And just very briefly on the China dimension of it, and, again, very much, you know, whether China is going to follow the rules of the road or not, it has officially signed up to many of them, being a member of the U.N., et cetera, but I think this is where having something like an OSCE in Asia, call it OSCA, whatever, is perhaps a useful way of trying to socialize China even further into ensuring that it sticks to those rules of the road.

Vikram Mehta: Okay. Next round of questions. Yes, please.

Question: Vyjayanti Raghavan, Chairperson, Centre for Korean Studies at Jawaharlal Nehru University. Just to correct you, Professor Shin, there are more than three universities that teach Korean in India. There are about six now and growing. And, yes, it's good. And to [Inaudible] what Ambassador Lee said that the Korea-India relations are on a really growing path, we have no historical baggages whatever or no border disputes, nothing, in fact, shared history, past history of Buddhism and everything. Yes, the only hitch being that the cultural understanding between the two countries is lacking, and there he says now that the culture center has come, maybe they would help. But more than that, I think an orientation program for anybody who wishes to do business with India -- Koreans, before they start business -- and write -- you know,

write a -- we -- the other -- we, Indians, when we go there, if we are given an orientation program, it would go a long way. I think that -- there is a cultural gap in the way the orientation is completely different, and that does lead to a lot of misunderstandings. Having said that, one question, sir, to you and one to Ambassador Eikenberry. You said about the dilemma South Korea faces vis-a-vis its China and U.S. trade relations. Does it face a similar dilemma vis-a-vis its China and India trade relations with its -- in the region? If it wishes to increase its trade relations with India, it would need to cut down some way. So would it be willing to cut down its trade relations with China to increase that with India? Because India could be a stepping stone towards West Asia as well and to the Middle East, so is it considering that? One question. And Ambassador Eikenberry, you had talked about China being interested in restraining nuclear proliferation -- or rather unconventional -- in the context of unconventional threats that its interest lies in containing. So what is it doing regarding North Korean nuclear weapons towards that end? Is it doing anything positive, or is it just sort of likes to maintain the status quo?

Vikram Mehta: Okay. Thank you. Yeah. Yes, sir. I'm going to request everyone to be a little brief, because we are running out of time. No, that was not for you to resist. Generally, because I got seven, eight hands suddenly raised.

Question: I'll try to be very brief. I'm Admiral [Inaudible], retired. Questions -- my question is generally towards the two former ambassadors, Ambassador Armacost in particular. There's been a gravitational shift that the world has been admiring to insofar as capital flows and concentration of export-oriented manufacturing hubs are concerned from the west to the east about two decades ago. Now we are all watching and getting alarmed at the geopolitical landscape that is changing by the day for the worse, because the venturing of this war insofar as create commerce, money, strategic material including oil and gas is the South China Sea. What are we doing? If you don't want to use the word "contain" to get a dictation of the rules of the road to China, the assertiveness is going out of bounds. The Paracel Islands have witnesses five new projects since Xi Jinping's time. There were two before that. What does all this mean? It means there is an -- there is -- the objective is to expand the power projection capabilities and extend its reach. The bringing in of that oil rig 981 in May of this year was the most alarming thing. It is [Inaudible] inside the exclusive economic zone of Vietnam. The world just watched. So now with the latest round of elections, the GOP has got a majority, and what do we see is [Inaudible] now farther than the horizon insofar as ratification is concerned. Until you do that, the Chinese are going to keep saying you have no locus standi to intervene. 5.3 billion -- trillion dollars of trade passes through the South China Sea. The alternative is going around Australia. Nobody can do that. So India has very high stakes. 55 percent of our trade goes through that. We have many other economic interests in the region, and, of course, we have strategic partnerships in the area. Thank you.

Vikram Mehta: Thank you.

Question: Hi. This is Sanjay from [Inaudible]. This is question is to what specific Indian interest will be served by creating a new architecture like OSCE instead of working on ASEAN and [Inaudible]. The reason is if you create an OSCE-type of architecture, new architecture, Russia will also come into play. China and Russia sitting together, where will India be?

Vikram Mehta: Okay. Last question.

Question: Yes. Hi, [Inaudible] chief of national Afghan embassy. We have signed a strategic partial agreement with India and an identical with the United States, and, in turn, the two countries have, you know, merged as to leading as strategic partners, as you discussed on this panel. So the question for the panel is, should and could the U.S. do more to help Afghanistan, regardless of the spoiling state that the Ambassador pointed out to. Thank you.

Vikram Mehta: Yes. At the back?

Question: Mr. Eikenberry, you mentioned by modus and kind of absolute terms the increase in Chinese military spending, yet when you look at Chinese terms as a percentage of GDP and you consider their growth, it's comparatively meager when you -- comparatively to the United States's military spending and as a percentage of -- as a percentage of GDP. As we see this global economic order change, what kind of military spending is acceptable or, if you like, equitable on the Chinese front from the perspective of the Americans? And what does that, then, mean for security in the region? And, then, on the ISIS issue, very, very quickly, you mentioned the regional players, and you've also mentioned this interdependent relationship between China and the United States. Many economists have argued this is not so in terms of the United States and Russia, and those two powers that are arguably fighting are at the -- and the initial stages of the conflict in Syria were also fighting a proxy war. We see the same thing in Ukraine. To what extent does this whole idea of sort of economic interdependence and international relations [Inaudible] perhaps security in Northeast Asia and this region, given the emerging and economic interdependency comparative to Russia, where we see sort of two parties play arguably antagonistic roles towards one another?

Vikram Mehta: Okay. Great. Yeah. I give both you questions, but I have to tell the panel that the answers will have to be very brief. So yes, sir?

Question: Hi. My name is Roger [Inaudible]. I'm a software systems and network engineer. And I just have an open kind of comment, or I'd like to hear a reaction to the incredibly surprising plummet of gold and oil prices over the past 16 years -- I mean, not 16 years, excuse me. Six months.

Question: I'd like to make mine very brief. I'm from, you know, Delhi University. My question is addressed to Professor Sidhu. When you, you know, suggest that India should build global institutions to represent Indian interests, what road map do you have, sir? Because, you know, I hear that the global institutions that were established in the post-Second World War order, you know, Bretton Woods, UN, so on and so forth, are so deeply entrenched with their -- you know, with the seed costs and the investments, political and otherwise, that were made that it's going to be rather difficult to have, you know, and to accept new institutions. So very briefly, what did you have in mind?

Vikram Mehta: All right. Okay. Yep. Yep.

>> My question is --

>> One sentence.

Question: Okay. That we said that for economy to grow we just not need conflict in our neighbors, but also a world order. But just pointing towards this, that rise of ISIS that we said should not be promoted democratic Islamist group like Brotherhood so that they can contain or they can bring the things towards calm, because if we are pushing one group or killing one group and other group is coming [Inaudible] --

Vikram Mehta: Okay. Yes. We have to really --

Question: The South Korean Ambassador very accurately summed it up. He says rise of India. Is rise of India being seen as a threat? Because with the Chinese President's visit to India, there were border issues on the Chinese side. With the visit of the Pakistani Prime Minister to India for the ceremony of the new government, there were issues, and also, Professor Sidhu, you mentioned that China's reluctance to use its influence over Islamabad to contain the issue of terrorism. So are you saying that it is because of the rise -- the threat of rise of India? And can the economic policies and the economic collaboration help in overcoming the will of the people helping overcoming the contentious issues of security and terrorism?

Vikram Mehta: Okay. Thank you very much. Now, I have got the questions here, but I'm not going to repeat them. I'm going to turn and do it this way, if you don't mind. Professor, which question would you like to answer? And all of you can collect your thoughts.

Gi-Wook Shin: Well, so very briefly, you know, about Korea's relation with the U.S.-China-India, I mean, you know, South Korea relation with India is, you know, growing, but still it's not as South Korean relation with the United States. I mean -- between China -- no, between U.S. and South Korea, right? So -- because still years is a major ally for South Korea and very strong ties between two countries. So [Inaudible].

Vikram Mehta: Professor Sidhu?

W.P.S. Sidhu: Very briefly, I know. Two stressful questions, so let me address both of them. The ASEAN process versus [Inaudible]. Well, I think the ASEAN process has -- you know has been effective, but I think it's really reached its limit as well, simply because you actually do not have very serious heavyweights there, and you need to have the major actors, and you -- certainly, Russia would be involved, but also, you know, the way that -- you know, at least I'm thinking of this, you cannot have an OSCA without the United States there either. They have to be there. And that's how it's going to work and play out, and I think, then, it would be a reasonable kind of balance between the various groups you talked about. I wasn't suggesting at all that India would entirely jettison the existing global order institutions. Many of them have served India extremely well and will continue to do so. So it's not -- and India has been a good rule taker of many of those institutions and, again, will remain so. In some cases, what India is seeking, when you talked about the Bretton Woods, is tweaking it, and this is actually something the G20 has suggested. But, you know, the U.S. Senate, in all of its wisdom, is actually still holding back on some of those reforms going forward. So what you're starting to see is a BRICs

bank. You're starting to see some institutions which are being coming out, where, you know, they may in the long run actually challenge. And these are not being led by India, but they're being led by this frustration on not being able to reform existing institutions. What I was suggesting is developing institutions where none exist. There are no institutions related to cyber; there is no institution today for climate, and in all of those, you are going to have to need to have negotiations, including India, and there the role that India can play is that of a rule-shaper. India alone will not be able to make this institution. It will have to play and work with other countries to shape the rules and norms and institutions in these new areas.

Vikram Mehta: Ambassador?

Michael Armacost: Well, I assure the view expressed about the South China Sea. We're a big user. We don't have territory claims. We don't take positions on the claims of others, but I think for Americans, China's recent behavior has been disconcerting. They have ratified the law of the sea, but the law of sea, I think, specifies that if you're going to draw lines on a map, they've got to be related to land features that are real, that are visible at high tide. And the Chinese are actively engaged, as you suggest, in building up land features that don't -- are not visible at high tide and perhaps for the intention of building airstrips. So what can be done? Well, I don't know whether we can ratify the law of the sea in the next year or two. We made a big effort a year ago. It came to no -- I regret to say, even though all the military now support it. It's conceivable that republicans, being somewhat more deferential to the pentagon, may pay some attention to that, but I wouldn't count on it, I'm sorry to say. The other thing I believe we should do: The Chinese always complain that the so-called pivot or rebalancing effort is designed to contain China. Well, nothing involving the pivot or rebalance signal a buildup of American military forces in Asia. It was designed to avoid a drawdown. But that was three years ago, and in the meanwhile, the Chinese have increased their defense budget at more than 10 percent a year. And what we're confronting, I think, for the first time is the fact that China, when we'd gotten used to thinking about it as a continental power, is becoming a major sea power. And as they project their naval power over distance at sea, their capabilities impinge more directly on our consciousness and our interest in maritime Asia and the interest of the maritime Asians in countries along Asia that have big navies like India. So it seemed to me for the U.S., we need to begin building our capabilities, naval and air, in Asia, and if we can only do that by redistributing resources that are already in the pentagon, we got 40,000 ground troops in Northeast Asia. I don't understand why. So we could draw those down and put the money into increased naval assets. We ought to be more visible, and we can obviously provide, as others can provide like the Japanese, for example, Coast Guard craft and other capabilities that are relevant to the Filipinos and the Vietnamese and the Indonesians and others in Southeast Asia. So I think we should do more for countries that are concerned. We should be more visible in the military sense, and we ought to call the Chinese on the fundamental conflict in their policy. On the one hand, they say we are peacefully developing; on the other hand, they claim indisputable historical rights to territory, and the methods by which they are supporting or advancing those rights are becoming increasingly muscular and implicitly coercive. And it seemed to me, while we want to engage the Chinese on things where we agree and we want to join with them in addressing transnational problems, we got to show a little muscle when they are acting, I think, in a rather belligerent and unreasonable way.

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Please note: the entire Q&A from the event is not included due to a clipped audiofile.