



Twenty Years of Transformation in South Asia

Opening Remarks and Keynote Address

Thursday, January 31, 2013
Washington, D.C.

Opening Remarks:
Jessica Mathews,
Carnegie Endowment

Keynote:
Jagdish Bhagwati,
Columbia University

Transcript by Federal News Service
Washington, D.C.

JESSICA MATHEWS: Good morning. My name is Jessica Mathews. I'm president of the Carnegie Endowment for International Peace. It's my pleasure to welcome you to today's wonderful event, which we're using to celebrate and to mark an official launch of our new South Asia program, but more importantly to explore a broad and deep agenda of thought about the 20 years of transformation we've just passed through in South Asia. I know that many of you have struggled, as I did, through road closings this morning. And I know we're going to be – a lot of people are late for that reason, but I think we'll go ahead and start for those of you that managed to ford the streams to get here.

[00:00:58]

I think that most of you know that Carnegie has had a long tradition of scholarship on South Asia. Ashley Tellis, George Perkovich and others have made brilliant contributions over the years and paved innovative policy pathways. But in the last few months, we have added several exciting new scholars: Frederic Grare, who is directing the program here in Washington, Sarah Chayes and Milan Vaishnav. And we now have, we think, the – both a very broad and full-fledged program that's the largest of its kind in this city.

They also work closely with South Asia experts in our other offices: Lora Saalman, who has been working on Sino-Indian nuclear issues in Beijing, Peter Topychkanov, who works on Pakistani nuclear issues in Moscow and others. And it is our great hope and, in part the hidden message underneath today, that they will soon be working with colleagues in New Delhi because opening a new office for South Asia, to fill the glaring hole in our – in our network, now is our top institutional priority. The program will then cover the full range of political, economic and security challenges confronting, not just India, but all of South Asia today.

[00:02:40]

It will be looking at everything from Afghanistan's efforts to build a state after the coalition forces leave to Pakistan's difficult and delicate domestic politics, to India's efforts to sustain economic growth, restart reform and fight corruption. And it will be looking at how to maintain stability in a region that is dense with nuclear weapons and prone to fighting border wars. Above all, the program will seek, as we always do, both to understand the challenges facing the region with deep knowledge, but with a direct focus on changing public policy and real-work outcomes.

The Delhi center, we hope, will come to pass in the coming months. It will work closely, as we always do, with the program here in Washington and with the other centers around the globe. It is that network that makes Carnegie different today and what we have found enormously appealing to the policy community in South Asia. Today's conference, then, is part celebration of what we have achieved so far, but more importantly it's a chance to bring together the best experts really around to better understand where the region is heading and to discuss the profound transformations that have shaped it over the past 20 years, many of which are still in progress and where the ultimate outcome is uncertain.

[00:04:35]

With that agenda, we couldn't do better than to begin with today's keynote speaker, Jagdish Bhagwati. His long and distinguished scholarly career includes stints as an economics professor at the Indian Statistical Institute, at the New Delhi School of Economics, at MIT and, for the last 33 years, at Columbia and at the Council on Foreign Relations. Professor Bhagwati is one of the world's preeminent international trade theorists and a leading champion of globalization and free exchange. No one has thought harder and deeper about the pathways of globalization and their impacts on national economies than he.

His scholarship in the 1970s and '80s laid the intellectual groundwork for India's transformational economic reforms of the 1990s and has been recognized by the government of India with its – with – among its highest civilian awards to – well, to recognize how much of the booming economic success of India traces back to his contributions. So we are honored and delighted to have him with us this morning to share some of his thoughts on India's future. So please join me in welcoming Professor Jagdish Bhagwati. (Applause.)

[00:06:10]

JAGDISH BHAGWATI: Thank you, Jessica, for those kind remarks. I think they were exaggerated and I don't know whether I'll be able to live up to them. I'm normally once, as you know, my mother would believe it, but not anybody else. But my wife, who is mischievous like me, once said – went up to somebody who said very nice things like me, and she said: 'There's nothing that you've said which my husband doesn't say better about himself. (Laughter.)

I thank you again. And I – it's a great privilege to be here because yours is a very celebrated think tank. I mean, there's no question about it. There's nothing that I have – that you've published which I haven't read. And now you're expanding the program and certainly the people from India have definitely heard of Perkovich and also of Ashley. (Laughs.) And you know, I mean, to have two big superstars like that, I mean, that's really quite remarkable. Normally, one was lucky if one has one person like that. And I think you're overdoing it a little bit by having two, but I think certainly you're expanding the program in very important directions.

[00:07:37]

Looking at that, I was wondering if you were unwittingly or wittingly leaving some ambiguity whether it was about the past or the future – (laughs) – the 20 years of transformation. But I think it's probably – it's really about both. Let me just say that while it is a South Asia program, there are programs like the one which Devesh [Kapur] runs at Penn and that while I've been associated with at Columbia, which are India focused, and then South Asia is just one of the things they look at because the neighborhood is always important.

And in – I think, given the wide focus that you have, South Asia, as such, seems to be slightly more narrowly focused because India, and particularly India and the world, is really a big issue today. And certainly East Asia is extremely important at the moment in a variety of ways, and historically too because India in Southeast Asia was in fact a major force at one time – you know, with Buddhism having traveled all over, including in Japan and China.

[00:08:55]

But if you go through Indonesia, Thailand, you see Sanskrit names. It's a bit hard to recognize them, but my – since I do international trade and then you have Dr. Supachai in the WTO from Thailand. And that is from Sanskrit, which say – (in Sanskrit) – which means “auspicious victory,” though I once teased him by saying that maybe your great-grandfather was selling soup in and chai in a village, and that's how you came to be known as Supachai. I think he rather liked that idea – (laughs) – particularly in time of global hunger and so on.

But anyway, so let me now go onto say that – I want to confine myself basically to the question of India-U.S. relations from a particular standpoint, namely what the diaspora can do, because that's what we all are over here. And I sort of want to raise that question particularly because as you look at the Indian community, which should be interested in U.S. relations in a particularly big way, its grasp of the way the U.S. operates seems to me to leave a lot to be desired.

[00:10:13]

I think the Indians, if anything, are used to a paternalistic approach, where if some decision is taken, it automatically extends to all the communities. And here, you have to make your views felt. You have to ask for something specific yourself or you'll be ignored completely. So it's a very different model which works here. And you see that particularly in the – I mean, I remember one case where the mayors had a – the mayor of New York, the one before Bloomberg – had a meeting at the Asia Society in New York, and he was complaining to the Indian community which was there, saying, we know what every community in New York wants, but we have no idea at all what the Indian community wants. And so we don't know what to do about it. So in a way, it's the sort of – the notion that you shouldn't – you know, that you have to put your foot forward and say, look, President – (laughs) – we really want something. He's not going to do anything because, you know, politicians don't do that. Because every time you do something – you know, you're using up some brownie points politically.

[00:11:28]

So you see that particularly in relation to two things, actually. Like I just saw the report today about who is being appointed or considered – there's not a single Indian name. Mrs. Pritzker obviously gave a lot of money, so it makes – but she's being talked about for Commerce, and you'd think that at least Indra Nooyi would be mentioned or something. Forget it, because there's nothing in it for the president to have any Indians. If you take Supreme Court appointments, there are so many distinguished Indians, including Akhil Amar at Yale, never mentioned, and not even solicitor general, or anything like that. So there's nothing which the Indians are saying we need from you or we just don't support you, period. That's the only way the system functions, by saying that look, this is what I want and why are you not doing this? You know, why are you just simply taking the Indian community for granted? And this really is a problem with the Indian community.

And so I want to start there. I don't think it's a problem because of the American side, because Americans – that's the way America functions, you know, through lobbying. And if Indians haven't learned that, that's really odd.

[00:12:44]

And so I think that I want to go and discuss a few things which the Indian community could want, which would cement our relations better. I mean, I had always assumed that the – I mean, I've often said that the Indians are the next Jews of America in the sense that they're bright, brilliant, they're into every profession, and at one stage of our history, you will say – you know, one day they're going to – you know, like – (inaudible) – they're going to go into crime as well. And now, of course, we've had an insider trading case against Rajat Gupta, and we've had self-confessed plagiarism by Fareed Zakaria – I mean – (laughter) – no matter how hard he tries, he confessed to it. I mean, if he hadn't, it would have been, you know, OK. (Laughs.) So we've had our problems, so we are everywhere, you know – I mean, in all walks of life, including ones where we shouldn't be walking. (Laughs.) We should be avoiding it.

[00:13:39]

So I think the – and – but it still leaves open this problem, which is that while we are prominent and so on, we really haven't learned to communicate dissatisfactions with what's going on. And in this system, particularly when you have an obliging president, you know, who is – I mean, I'm a supporter, as you can guess – he's not going to do anything at all.

And so I think – let me start with just a couple of points, which is that doing – I mean, ever since he came in, he has been complaining about outsourcing from day one. Now, this is – this one's through the system, actually – Schumer, who is anti – really was into to Japan-bashing, then into India-bashing, and then into China-bashing, and once I wrote in relation to India-bashing that you know, I know nothing about baseball – I don't know very much about any sport, actually – (chuckles) – but certainly not about baseball. And I said, you know, we – I know that three strikes and you're out. So I said, you know, he – Schumer is someone who should be discarded in favor of someone like Nancy Pelosi, maybe we should swap between California, and you know. He read it and he was mad at me, you know, for saying this, but the point is he too has been bashing India on things like outsourcing.

[00:15:09]

And the problem is it's – Senator Kerry – John Kerry, whom I admire on many grounds, and I'm delighted he's going to be next secretary of state – but when he was running for the presidency, that's when some doctor, Indian doctor at Mass General happened to outsource, you remember, the digital X-rays. And when they came back, the head of the MGH, who I'm glad to say, was not an economist – he was not a doctor either, he was just an administrator – he said everything would move like a tsunami away to Bangalore or Bombay, et cetera, et cetera. And so he – the next day – (laughs) – John Kerry – (inaudible) – these are fast-moving campaigns. So he came out saying the friends that are outsourcing like this were Benedict Arnolds. Now, I didn't know who the hell Benedict Arnold was. I thought he must be an obscure English boy and a distant cousin of Matthew Arnold. (Laughter.) It turned out that he's the worst traitor in the system, you know, a neighbor of mine at Lexington, Mass, where I lived for 12 years. So I think the – you know, suddenly he was caught flat-footed and I'm told by insiders that Bob Rubin at that point called out Kerry and said, if you repeat this again, I'm out of your campaign. So poor – you know, Kerry was sort of caught in the middle, but he's never disowned it. So we have a Cabinet also where – (laughs) – the president has been talking like he was Lou Dobbs on outsourcing, we've got – (laughs) – a secretary of state also.

[00:16:51]

Now, this is where I will say that we have to tell them, look, as long as you are in a campaign and you had to fabricate things, you know, and say things which are obviously unworthy of you on things like outsourcing – because that’s from economics point of view, they represent just illiteracy and also, you know, things they should not be saying as leaders of our country – but now that you’ve already won, right, you don’t have to do this in order to, you know, beat up McCain and so on and so forth. Now, you should be able to say, look, this – we now stop talking about outsourcing. So that is something which we can say from the diaspora, because when you – when Indians say it from New Delhi, nobody’s going to pay any attention, really.

[00:17:43]

So we have this Trojan horse principle here where we are inside the system. And we ought to be able to say look, fine, we understand what you had to do, but don’t continue talking like Lou Dobbs again and again and again, because it does create problems. And I think one thing which I do feel also is at – the sick tragedy, the sick temple tragedy – I mean, I think that also owes to the sense on the part of these crazy characters, like the one who shot up these people, that somehow, not merely our jobs being exported to India, but also Indians are coming in and taking jobs over here. So the Sikhs – I’m quite sure, that the guy who went after them was simply getting – you know, his venom and his, you know – from the continuous harping of India as a demon in a – in a way.

So no matter what you say in general, that doesn’t matter. What matters is a continuous, you know, talking of outsourcing. And I think – I mean, you know, I just say in a mischievous way – that for the – to believe that this guy thought that these Sikhs were actually like Osama bin Laden or something, because they have turbans and so on – I mean, if he really wanted to go after people who looked like Osama bin Laden, the Hasidic community in New York is much more close in looking like Osama bin Laden, and besides, it would have also been anti-Semitic, which would have really pleased the guy a lot.

[00:19:22]

So the point is we don’t want to look these things in the face, that we are actually encouraging this rubbish and this venom in the system. So it doesn’t matter what you say from the White House in terms of, oh, you know, I mean, this is terrible and so on. It’s just your – it’s what you’re doing all the time which counts, you see.

So I think – I feel that the diaspora should – I mean, it’s not for the president or for John Kerry to kind of correct themselves, because they’re responding to internal, you know, pressures, political – but it’s for the community to step forward and they never do that, to my knowledge, at all. So this is one case.

The other one, which I would say is on immigration, on immigration, again, if you look at it, this is something I happen to know. I’ve worked for 40 years on different aspects of immigration. I’ve got a book coming out on how to respond to illegal immigration. Usually you’re known for the thing you do most. Like in my case, it’s trade and globalization, but I do have a second string to the bow, and that is on immigration. If you take legal immigration, about 25 years ago in *The Wall Street*

Journal, I put forth the scheme under which – which is now known as, you know, where you staple the card, you know, the – for the graduating people from abroad in the – in the sciences. And I think I included economics in that because economics certainly is a science compared to other subjects. Once I got into trouble by saying that in economics and the sciences, you have to sit at a desk, you know, to work at them, whereas in the other fields, which are also interesting, like history and literature, you can read them in bed. And I got into real trouble for saying that, because a lot of historians and postmodernists in the audience who thought I was insulting them. But I mean, what you read in bed can be very interesting, and it doesn't mean anything. But it's just that you don't have to do problem sets and so the hard stuff, you know, which scientist and economists have – are doing.

[00:21:39]

So there I said, for the sciences, we – you know, there's so many people who are graduating, we should – instead of forcing them out and then be getting them back eventually through all sorts of mechanisms, just give them automatic visas, and that's what it's come to be. But now he's got to get – put it through Congress, right, in his – part of his comprehensive immigration agenda, whatever that turns out to be down the road. Why not do what he did with the DREAM Act? If you take the DREAM Act, 85 percent of the beneficiaries, the way it is framed, are Hispanic. There's very little of people who look like Arvind Subramanian and me in that. Or really today, 45 percent of the illegal flow is by people coming in legally not from Rio Grande but, you know, in also some other ways and staying on illegally, so they're called “stay-ons” also. And that is not even being talked about, OK? So the focus is on the part of the president, and the Republicans in response, is to focus entirely on the Hispanic vote. So there's nothing in it – or very little in it for Asians and so on and so forth or people of Afghanistan and so on. And some refugees get in on another category.

[00:23:03]

And so where is the Indian community on this? No, nothing. Two, on legal immigration for – the scale which is, what, you know, many of us really want, we could say to the president, look, you did executive action on the DREAM Act. Why didn't you do executive action right away for H-1B visas? You can do that. It's not a huge number anyway, but maybe that's why you wouldn't do it because – there's no – nothing in it, because Indians are going to – they just coast along with whatever is going on. So this – here is another area where we could (inaudible).

[00:23:03]

And I think even on DREAM Act, I would not say because it is entirely aimed at Hispanics, therefore we shouldn't do it. That's the wrong conclusion. I would say, our community should go ahead and see how it can be expanded to include other people, right, not just be focused on this. Because in a way, to say that you're doing it just for Hispanics, without saying – I mean, doing it that way without actually saying it, of course, is the standard way politicians will act, but it really flies in the face of what President Kennedy did in 1965, which was to try and eliminate the racial composition of influx of people and basically became much more ethnically neutral.

[00:24:25]

And I think that was – that’s a principle which unfortunately we’re sacrificing now, under this president, much as I adore him, because he’s simply not – I mean, he’s into it for the vote, not for principle. And if – and for us, it’s for us to say – Chinese, Indians, whatever, you know, Africans, et cetera, to say that, look, expand the scope. Don’t make it the way President Kennedy – you know, was a great figure, in my opinion – was doing it, because –introducing basically neutrality. And this is something which I once wrote about in *The New York Times*, and this is with my friend Arthur Helton, who actually got killed in Baghdad, as you remember. He was one of the great figures on human rights and immigration. And I wouldn’t be standing here, because we were working together at the Council on Foreign Relations, and he told me one week before he left, saying, Jagdish, do you want to come to Baghdad? And I said, no, I don’t think I have the time to do that. If I’d gone, I probably would have lost my arms and legs and so on, or been killed. So live but for the grace of God, you know?

[00:25:41]

But Arthur and I, at his suggestion, wrote something about the amnesty program under George W. and saying, this really was violating the – to confine it just to Mexicans was not the way to do it, and that it really violated the basic principle.

Now, I’m just giving you these examples to show that instead of opposing what the president does, you should try and expand it. That way also you get a much better way to support, you know, and response from these people.

[00:26:13]

Finally, just a little bit on trade. Now, if I’ll just take five minutes on that. I mean, I did talk about outsourcing, but we also have the problem – and it can be picked up later; yesterday I talked about it a bit – but we have had real cross purposes, I mean, you know, on things like the Doha Round. The U.S. media has bought into the line that India is to blame for the protracted lack of settlement. If you go outside of United States media, then everybody says it’s the United States which is the principal player and has refused to compromise.

[00:26:58]

Now, I mean, so these are different, like, rationale and different conceptions. And I think the – as a result, we also had really not lack of chemistry but the wrong kind of chemistry between our USTR, Susan Schwab, who is an excellent woman on trade, and Kamal Nath, who was our minister at the other end. And they really, truly hated each other. And so there was total – you know, I mean, there was no way you could negotiate. Each one said the other one was responsible for the, you know, stalemate. And the U.S. media particularly the *Wall Street Journal* and the *New York Times*. I don’t read the *Washington Post*. You know, I also have to write, not just read, being a scholar. And so these are the two papers I have access to, and so I found that this was really being – this was really going in the wrong direction.

So when President Obama came in, he put Ron Kirk in the position here, and of course, he’s a very able guy but from Texas and, you know, pro-NAFTA and so on. And then the prime minister put Anand Sharma, who’s now currently our commerce minister. And they were both under instructions not to shout at each other but to be polite and to smile at each other – instead of

scowling, smile. So Anand Sharma came here. Unfortunately, what happened was – and this is the – this is true – he was under instruction to try and settle Doha. And because the president seemed to be – you know, after he gotten his Nobel Prize for multilateralism, it was one multilateral treaty he could easily – it was within grasp, actually except for the Congress. He would have had to lead the Congress in the right direction. But the Congress was not entirely with him – in fact, opposed to it in many ways. So he had to provide leadership, and he was not willing to do that.

[00:29:00]

But the Indians didn't know that, and Anand Sharma, when he came, he went and saw Ron Kirk, who had already been instructed to say no to doing anything on Doha. So when I saw him in New York on his way back, he said, it's off. The Americans just don't want to play on Doha at all. And then it was interesting because I'm married to a Russian expert, so I've learned to infer things from who's sitting next to whom and things like that – you know, like Kremlin knowledge, because you don't have transparency in the system. So the Indian permanent representative had put up a – you know, a speech for the minister on trade, and every permanent representative of – from around the world was there. And Susan Rice had sent in a second-level person from ECOSOC instead. And I said, no, this shows that the administration has decided they're not going to play at all. And then, of course, the Indians lost interest also because in the end, as we discussed yesterday at dinner, there are so many things going on between the two countries which are good. And therefore, when a big country like United States, you know, which can do many things for you and is doing many things for you – because the two countries are in a good sync right now – then you will – you will give up.

[00:30:30]

Like – I mean, I say frequently – although I am supposed to do it – you know, get into a tizzy every time you mention trade – it's supposed to be the great big thing for me – but if I was a minister in India in charge of trade and if the United States said, we're going to back you fully on Kashmir, I would say, to hell with trade. (Laughter.) Right? I mean, it will go on in some form or the other. So you have multiple objectives, right, and multiple points of contact, but then all of this – in my judgment, the Indian community can actually help shape things a little bit better in the direction of sort of more productive relationships on all sides. So I think on that note, Jessica, I think I'll end, because I know – you know, you have a lot of things to discuss.

MS. MATTHEWS: But – maybe you'll take some questions?

MR. BAGHWATI: Hmm?

MS. MATTHEWS: You can take some questions? (Off mic.)

MR. BAGHWATI: Yes, of course. (Applause.)

Yeah. If you could just tell me who you are, that'll help.

MS. : Here you go, sir.

[00:31:47]

Q: Professor Wolfgross (ph), ex of the U.S. military and an Army foreign area specialist on South Asia. In 50 years of frustrating observation of the relationship – security relationship between India and the U.S., I've always been struck by the reticence on the part of the Indian side to ask for what they want. Your comment about the NRI community not asking for what they want is a microcosm of just that situation. And I'm wondering if it isn't cultural or maybe even genetic in the makeup? (Laughter.) And your comments, sir?

MR. BAGHWATI: (Laughs.) I think it's partly – it's really political, I would say, in the sense that the – given the whole background of the tensions between the two countries, with you opting for, you know, Pakistan basically in the CENTO – was that it used to be called – and we being perceived as being pro-Soviet. Now, which caused which? This is what we call in economics an identification problem. You know – like, there's a story by which we explain – because there was a country, which I won't name, but you can guess which one it is, where the men are bad lovers and the women are bad cooks, and then question is, you know, which is causing which? Are the women punishing the men or are the – (laughs) – or the other way around? So this is what – you know – and I think the two are interactive. There's no question in my mind.

And I think this has – this has changed a lot. I was saying last night there are so many good things that have happened in terms of establishing relationships. So it's a bit behind us, and right now, I think India just – the governments have to be prudent. I mean, they can't go out rushing, saying, you know – I'm going to get the Americans in right away and change, you know, what is going on, because the prime minister always has to worry about communist, left-wing people. And hating America is a – is not a very – (laughs) – unfashionable thing to do for a variety of reasons which, doubtless, you are aware of.

[00:34:12]

So I think there are military exercises, et cetera, going on, but they would rather not talk about it. And I think – so I don't think it is cultural. I mean, a lot of it is noncultural. It is to do with the exigencies of the politics of the situation. But there's no question in my mind that we are moving in that direction. Now, a country like Australia can certainly open up a base for you. We can't do that openly, but it doesn't mean that smart people here at our end – (chuckles) – we should see – not see that the trend is in the direction where, for a variety of geopolitical reasons, we are slowly moving in that direction.

[00:34:53]

And I think there's a lot of fundamental good will on this, though I'm not sure whether the diaspora is really – like, the prime minister's daughter – you know, she was – she is now in the Open Society Institute, and she was with the ACLU in filing the Guantanamo case and succeeding. So I was asked by Wall Street Journal, you know – you know, what do you think of it? So I said, the father goes with the United States, and the daughter takes it on. So this is what – you know, since it was the Wall Street Journal, I said, this is portfolio diversification – (laughter) – you can't lose that way. And my own daughter, actually, who was in the Marine Corps for five years, actually is – was a plaintiff with ACLU in this case, which led to Panetta letting women fight at the front and so on.

So many of our – (laughs) – young people are actually working in the system. And I think it's the older folks who just haven't learned it and are in the old DNA, as you like. And I think they have to get along with it, basically, because there's a lot of possibility here in this country. And so I think that that would – I'm sorry; this is a rather longish answer, but I hope it helps.

Yeah. All right?

MS. MATTHEWS: No more questions? Then we will thank Professor Baghwati, and we'll move directly through the day. (Applause.)

[00:36:54]

(END)