



# **Crux of Asia Conference Agenda**

## **Panel I: The Changing Global Order**

Thursday, January 10, 2013  
Washington, D.C.

**Moderator:**

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**Speakers:**

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Transcript by Federal News Service  
Washington, D.C.

ASHLEY TELLIS: Come back to order, please, because I think we want to proceed with the rest of the program that we've outlined.

But let me start by thanking all of you for coming and welcome you once again to the substantive portion of the program, which is to look at different dimensions that have been explored in the volume that has been distributed today, and I believe there are copies outside if any of you don't have it. You're welcome to that.

[00:01:01]

I want to just say a few words about the nature of the effort so you get a feel for what is it that we were trying to do. There has always been a general perception that the rise of China and India as new great powers would have dramatic consequences for the future of the international system. This is one of those propositions of conventional wisdom that has now been internalized in all our discourse about the future of international politics.

What we wanted to do in this volume was to subject that proposition to more serious scrutiny. And we wanted to subject it to serious scrutiny because the conventional wisdom about the relationship between China and India has always gone along something like the following lines, that China and India share very strong elements of convergence on questions of global order, but they are – continue to be hampered by elements of competitiveness in their bilateral relationship. And I think that represents a fairly accurate judgment about what most people believe the nature of the relationship between these two countries is.

And so in this book, what we tried to do was to decompose the issues of international order into their constituent facets. And so we looked at issues relating to the future of the interstate system, we looked at issues relating to economics and we looked at issues relating to what one might call strategic ecology, which is nonproliferation, the global commons, issues relating to energy and cyberspace, the various complementary components that, in a sense, make the international system what they are.

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And in each of these areas, we thought instead of doing conventional analysis by American scholars about where India and where China stand, we would commission Chinese and Indian scholars to, in a sense, tell their own story. And so we started off by identifying what we thought were serious intellectual questions that would help illuminate Chinese and Indian positions on different dimensions of international order. We identified the best pairs of people in both countries who are serious scholars about these issues, and we commissioned them to write extremely tight papers that would address a set of questions that we disseminated to the authors directly.

The objective was to write short papers because, as we all know, no one in this city can read anything beyond five pages. (Laughter.) So we asked people to write contributions that do not exceed 3,000 words, which, for those of you who are writers, know is harder to do than writing a paper of 30,000 words. And we managed, I think with a fair degree of success, to actually get 20 papers on 10 subjects, each pair, one authored by a Chinese scholar and an Indian scholar, that very directly sets out to answer the questions that were disseminated.

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And what you see in the book is really a compilation of each of the pairs of papers prefaced by the questions that each of the authors set out to answer. And I would really urge you to look at those papers, because I think it's a very good snapshot of where these two countries are on different questions of international order. The longest paper, actually, in the monograph is the introductory chapter authored by my colleague Sean Mirski and myself. And you are perfectly free to disregard that chapter altogether. In fact, it might actually help your readership of the volume if you skip the introduction and went to the papers directly first, and then if you still have the energy left over, to come back and read the introduction.

But what we tried to do in the introduction was to really tease out elements of convergence and divergence in all the papers. And what we found was that the conventional wisdom has an element of truth but it's not necessarily completely accurate, that even on issues of global order where China and India are supposed to have the greatest convergence, there are very important differences of either nuance or substance that are important both for U.S. policymakers as well as for scholars in the region to realize. And so that is essentially the backdrop of the book, and that provides the basis for the discussions that we are going to have today.

I want to just say one other thank you before I actually formally start the proceedings, and that is to my colleague Sean Mirski, who edited the book. Sean is, in many ways, the poster child for the Junior Fellows Program at Carnegie. It's the junior fellows who are the bright undergraduates who have just finished the program who come and spend a year with us doing research and supporting, usually, senior associates and their work.

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Sean not only did that, and he did that with – you know, with great effectiveness, but went on to write a very major monograph on Chinese energy, co-edited the book with me and did far more work on this book than actually I did – I'm happy to acknowledge that now after the book is done – and has actually published or is on the cusp of – I think it's just appearing in print – a very major article in the Journal of Strategic Studies, which I would commend to your attention. It's the first serious look at what a military blockade of China in the event of conflict would require of the United States. I mean, this is a subject that has not been studied in the unclassified realm, as far as I can tell. And Sean has done really the first serious study that looks at the challenges facing the prospects for what a blockade would entail if we were ever compelled to do that. So I have to publicly acknowledge Sean Mirski's contributions in the – in the editing of this volume.

And without further ado, I'm going to yield the floor to two colleagues who are going to speak both on their own behalf and on behalf of the authors who actually wrote the papers. We are going to focus today on the characteristics of the changing global order. The two papers that were published in the volume were authored by Wang Jisi and Raja Mohan. Both of them, for different reasons, could not be with us today. And so what I've asked David Shambaugh, who is an eminent scholar of China in his own right, to do is to briefly summarize Jisi's argument and comment on it, adding his own thoughts, to be followed by Frederic, who will focus on Raja Mohan's paper, adding his own thoughts as well.

Now, the section on global order in the volume has not only questions about international politics but also a paired section on the international economy and another paired section looking at the international nonproliferation regime. It's a huge, expansive subject; we won't be able to cover all the dimensions of the issue. But I will leave it to both my colleagues to cover as much or as little as they think they can get away with. So I will yield the floor to David and then pass the baton on to Frederic. David, thank you.

[00:08:38]

DAVID SHAMBAUGH: Prefer us to stay here, Ashley, or –

MR. TELLIS: Whatever's convenient. Whatever you feel comfortable with.

MR. SHAMBAUGH: What the audience prefers. Maybe I'll – professor in me will stand up. Maybe it's a little easier for all of you to see me if we stand.

Well, good morning, and let me just begin by commending Carnegie and Ashley on this project and the resulting volume that's just appeared. I wasn't sure, actually, when I came today whether the volume would be out or not. As Ashley just indicated, my job is to summarize a couple of the contributions to it, but indeed, I encourage you to read it – read it carefully.

But I'd just note that as power diffuses in the global arena – “diffusion” is the term that the National Intelligence Council uses in its most recent 2030 report and is one of – in fact, it's their first prediction that follows on to the 2025 report – but that we are in an inexorable process of diffusion of power in the global arena, new rising and middle powers coming up, and the renegotiation, if you will, and reformation of the postwar Bretton Woods system and other multilateral mechanisms that the world has known and worked through for the past half-century or so.

So it's vitally important, obviously, to understand how these new rising and middle powers view the international order and the international system, not the least of which are China and India, probably the two most important rising middle powers. And I would characterize China as a middle power.

So this is a really important project. I just want to start by commending you on doing it. It somewhat parallels a project I have to shamelessly plug that is ongoing at George Washington University, where I teach. The Rising Powers Initiative, it's called. That's been going on now for about three years and has produced a number of publications. So these two projects kind of complement each other.

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But what's different about the Carnegie effort is that it compares, in this volume, Chinese and Indian views on very specific questions, whereas the GW effort looks at these countries individually, not just China and India but four or five other rising powers as well. Nonetheless, it's important to get inside the mindsets and worldviews of these rising powers to understand how they think about the evolution of the future international order. So it's a very important initiative, and congratulations on tapping some of the best minds in both China and India for this project.

Anyway, as Ashley indicated, my job is to summarize the contributions of two, as I understood it, Wang Jisi and Zhang Yunling's, contributions to this volume and to – and then to comment briefly on them. It's a pleasure to do so. Both gentlemen, I have known for over 30 years, which is a long time, both of whom I have tremendous respect for as scholars. They are amongst the most astute scholars and thinkers in China on questions of international affairs, and they definitely have policy influence in their country. So these are two of the key writers on the Chinese side, and as you'll hear in a moment, Raja Mohan and others on the Indian side.

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So in his essay, Jisi makes a number of interesting points about China's perspectives on global order. Perhaps the most important one, the first one that he makes, is that China has never been satisfied with the existing global order – that sort of jumped out at me as I read it – since the inception of the PRC back in 1949. And this has expressed itself in various ways over 60-plus years, first with Mao's alliance with the Soviet Union, membership in Comecon, then – during the '50s, then during the 1960s to the revolutionary line of global revolution, sort of the countryside surrounding the cities, then to his “three worlds” theory of the 1970s – Mao's “three worlds” theory, that is – in the 1990s, calls for the so-called NIPO, the new international political order, and then in the 2000s to the establishment of alternative organizations such as the Shanghai Cooperation Organization, the BRICS and China's strategic partnerships with, now, I think, over 70 countries.

In all of these phases, all of these six decades, China has been revisionist in its thinking, revisionist about the post-World War II liberal order, that is, and has sought to establish alternative organizations. So that's sort of one big takeaway. For those of you who think that China's been content with the global order, forget it. It never has been, hasn't – and it's not going to – not going to be. So that's one point he makes.

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So next point, at the same time, even if it has been dissatisfied over time, it has benefited enormously from that order. A little hypocritical, you might ask? Yes. (Chuckles.) So it has – it has participated increasingly in the order over the past 30 years, has certainly derived tremendous benefit from that order for its own modernization and global roles, but it's had this sort of gnawing discontent all along, subterranean discontent.

Yet Jisi is very clear that, quote, China needs – sorry, “China sees its national interest as hampered by the present system, most certainly because of Western dominance and the gradual erosion of developing countries' sovereignty,” unquote. He also restates China's official policy that the existing system, quote, “lacks equity and justice,” unquote, and argues that China's main purpose is not to overturn the existing system. He's explicit about this. He says, we do not wish to overturn the existing system but to better, quote, “accommodate the aspirations and interests of developing countries.” So in short, he argues, and again I quote, “China can live with the current order but prefers to have it reformed and transformed,” so have your cake and eat it too.

He then runs through the hallowed litany about violations of state sovereignty by Western countries and what he calls, again quoting him, “the most fundamental deficiency in the global

order.” “The most fundamental deficiency in the global order is the violation of state sovereignty by Western countries.”

He then has a section on China and international organizations – intergovernmental organizations, IGOs, where his core arguments are that, A, China is very much a member of the club – of the international institutional order today – it’s true, it’s only outside of a couple of international organizations still – but B, he argues that China, quote, “still feels that it is underrepresented in international institutions.” That sentence kind of struck me when I was reading the essay. He doesn’t really explain this contradiction between point A and point B. How can you be in all the organizations but be underrepresented at the same time? Well, he suggests, or he implicitly infers, that China doesn’t exercise influence – sort of sufficient influence in these international organizations. So it’s in the club, but it’s not really shaping the club yet and doesn’t – and secondly that China doesn’t have representation in leading positions in major IGOs. That he does note.

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So if this is indeed what he means, lack of influence, I completely agree with him, as I see China’s participation in global governance in general as extremely passive, risk-averse, not seeking leadership, a lowest-common-denominator kind of approach to a whole host of international problems and only really seeking to protect its own narrow national interests.

At the same time – and this is my view, not Jisi’s – China is sensitive to criticisms that it is free-riding and not contributing proportionately to global governance. It always – or the Chinese government and scholars always point out things like China’s contributions to U.N. peacekeeping operations as the prime example of China’s contributions to global governance. They say, yes, we are the number one country amongst all Security Council members of the U.N. in terms of contributions to forces abroad. China has about 1,800 personnel now in, I think, 13 countries around the world. Number one amongst the Security Council, yes, but if you look amongst all contributors UNPKO operations, China only ranks, I think, 14<sup>th</sup>, or maybe 17<sup>th</sup>. It’s much smaller countries – Bangladesh, Nepal, Pakistan, Denmark, others – contribute far more personnel to UNPKO than does China. And if you look at the contributions to the budget of UNPKO, similar – I think China ranks number nine. If you look at China’s contributions to the U.N. operating budget more broadly, second-largest economy in the world; I think 12<sup>th</sup> or 13<sup>th</sup> largest contributor to U.N. operating funds. So a great mismatch, I would argue.

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You know, China, in my view, punches below its weight. It doesn’t punch at its weight, and it certainly doesn’t punch above its weight when it comes to global governance – not doing enough, in any number of areas.

OK, so back to Jisi’s paper, just to conclude. He has a short section on international NGOs and argues that China is very suspicious of them, so nothing surprising there. And he concludes with a brief section on relations between India, China and the United States. Broadly speaking, he argues that India and China have, quote, “many common interests and goals in global and regional issues,” unquote.

But he then notes the long-standing bilateral frictions between the two, border, Pakistan, Tibet and other problems. And he concludes that Beijing has an extreme allergy, if you want to put it mildly, and suspicions about U.S.-Indian strategic and defense cooperation as part of a U.S. – and see it as part of U.S. encirclement strategy of China. So that's Jisi's paper, more briefly, Ashley.

Let me just say a few words about Zhang Yunling and then summarize. Zhang Yunling's chapter can be seen as a subset of Jisi's chapter, as it examines China's views of the international economic system.

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Like Jisi, Zhang, who is at the Chinese Academy of Social Sciences, argues that China has significantly benefited from its embrace of the international economic system, but like Jisi, he also says, and I quote, “China desires to promote structural changes that help to develop a more representative and effective international system,” unquote. What kind of structural changes? He notes two in particular: one, movement away of the dominance of the U.S. dollar and, two reform of the IMF and the World Bank to rebalance representation between Western and developing countries. With respect to the bank, he argues that the developing countries should have at least 50 percent of the voting power in the World Bank.

He also makes a strong case that the BRICs, quote, “represent the emerging locus of global economic power.” I'm a little dubious; I think that's a little overly optimistic – (chuckles) – but with regard to global governance generally, Zhang Yunling cautions – and I quote again – that “domestic constraints will limit China's ability to take a leading role in major international institutions and public provide goods,” unquote – more evidence, I would suggest, that China will continue to be self-absorbed and not contribute much, in my view, to global governance.

So Zhang Yunling's bottom line is captured in the last sentence of his chapter. Quote, “The current Western” – parentheses, American – American, in particular – “international economic order needs to be significantly restructured,” unquote. That's his takeaway, bottom line.

So in conclusion, what we get, I think, from these two papers or these two chapters, in my view, is a China that is dissatisfied with the global order, although very happy to reap benefits from it, but is not prepared to contribute proportionally to it, rather minimally to it, and would prefer to reform and revise it. So in my view, this is essentially free riding and opportunism, not the behavior of a responsible international stakeholder, to use Robert Zoellick's terminology.

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So those who hope that China will be a responsible international stakeholder and global leader that is contributing proportionately to its wealth, power and status in the world, which is now recognized essentially as being the number two power in the world – to those that hope China will contribute more to global public goods, to those that hope that China will proactively contribute to addressing a broad agenda of global challenges and that will enforce the norms and rules of the postwar international order – to those people who hope for these things, I would submit, you're going to be disappointed. Beijing is going to continue to, A, narrowly pursue its own national interests and, B, seek to adjust this global order, as Jisi and Zhang Yunling both are pretty clear about.

Adjust it in what way? To make it a more diversified, participatory order which is not Western-dominant, and it's important to note here that they're not calling – or China is not calling to create an illiberal order. There are some who believe that that is the case. They're calling for a more representative, diversified, participatory order. That's different than a club of autocracies, right? That's not what they're calling for. This is not an illiberal agenda. It's more about process and the – and the parts – participants. Sorry.

So in short, to me, this equals a classic realist but revisionist power. So there's a new term for you, Ashley – realist revisionism, all right – realist in that China is very narrow-minded, it's pursuing its own national interests in any number of ways that we know and have been written about many, including Ashley, but revisionist. It wants to change and reform the order and is not content with it.

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So that's my understanding of these two chapters, and –

MR. TELLIS: Thank you, David.

I'm going to ask Frederic Grare, my colleague at the Carnegie Endowment and the director of the South Asia program and a longtime student of India, to summarize the Indian papers. And then I'll offer a few comments and we'll open it to the floor.

Frederic.

FREDERIC GRARE: Thank you, Ashley, and good morning, everybody.

Well, like the previous speaker, I mean, I'm not going to speak of a text that I've written myself but simply try to summarize and comment on two texts which have been written, respectively, by Raja Mohan and Rajiv Kumar. And it's going to be difficult to do justice to both texts in just 10 minutes, but I will try my best.

In many ways, the story that the “Crux of Asia” is telling us about India and the global order is a story of a growing desire to integrate it and become, of course, one of the privileged few in the system. In other words, India wants to be a member of the club, not destroy it.

And it criticizes it. It does oppose it from time to time, but only as long as it perceives that the rules of the international system are preventing it from directly – and indirectly, by the way – from becoming an eminent member of this club.

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And the vector of change in India's relation to the global order is of course its growing capability and self-confidence. And that in itself is interesting because that provides us with the metrics as how to read India and its international relations, and it makes India, in a way, with all the cautious (sic) necessary when saying that, predictable and in a very dynamic way.

I mean, what does Raja Mohan tells us about India's relation to the global system? As he – as he says, well, just what I basically try to say in the – in my introduction – that “Delhi continues,” for example, “to press for structural changes” – and I quote – “in the international system and to negotiate to preserve its national interests.” It is, however – and this is definitely a change that he acknowledged – much more open than it was in the past to negotiate with other powers no longer seen as necessarily adversaries.

And this pattern can be observed in three basic different fields, which, in way structure the entire chapter on the global system.

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This is globalization. Again, what Raja Mohan says is that India does criticize what it perceives as the protectionist tendencies of advanced nations, as India sees itself as a potential beneficiary of globalization. And for similar reason, not because it does oppose environmental measures – I apologize – but because it sees it as a brake on its own – its own economic growth, it does occasionally oppose measures on global warming.

India also remains uncomfortable with the tendency to promote societal changes through international intervention and, for that reason, has long been and still is concerned about Western emphasis on human rights, but it's much more relaxed now since it does – understood that its own difficulties with domestic secessionist movement, for example, be it Kashmir or elsewhere, would not necessarily lead to such intervention. Again, self-confidence is a defining factor in defining not so much the attitude of the outside world but India's views of this attitude of the outside world.

And also it critiques – it continued to critique the international nuclear order. Its critiques remain a second – first of all, a completely new meaning since India's been brought in this nuclear order in 2008, thanks to the initiative of the Bush administration.

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Well, for French to praise the Bush administration, this says something.

So clearly India – the position actually shifted from an almost purely defensive to a much more nuanced policy criticizing international attitudes only when it felt they were preventing it from reaching its full potential. In fact, India's criticism of other powers' attitudes should not be understood – should now – sorry – be understood as a tacit acceptance of the existing global order.

Now if we come to the question – and I'll follow the questions that were asked to the author – if we come to the question of the primacy of the principle of state sovereignty in international relations, this is definitely not something that India is questioning in any way. It is, on the contrary, extremely concerned about policies that threaten this very principle through intervention in India's part of the world, in the name, for example, of nation building, democracy promotion or fixing a failed state, although it must be said that Afghanistan is certainly a notable exception in this respect.

But as Raja Mohan observes too, I mean, India is also very skeptical about framing the current debate as one of state sovereignty versus multilateralism. India's position is that intervention should not be decided indiscriminately, but on a careful case-to-case basis. And it should be

remembered that India itself intervened on several occasions, be it in East Pakistan in 1971 or in Sri Lanka between 1987 and 1990.

So the argument – and this is my comment here – it can be seen of course as self-serving, and to an extent it is. But it also reflects India's own hesitation vis-à-vis – in a number of cases. And we've seen that definitely in India's attitudes toward the change in the Middle East and the Western intervention, for example, in Libya. But also, perhaps, it does reflect some sort of a healthy skepticism on the capacity of the international system to modernize the international structures of various societies as manifested in a – in a number of recent international intervention.

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As for the international hierarchies, India questions them only to the extent that it feels it's not given its proper place within it. I mean, hence its willingness to be given permanent membership in the Reform – U.N. Security Council – I mean, which it feels should take into account new geopolitical reality and the importance of wider geographic representation. And this is a theme, for example – this theme of wider geographic representation – which you can find in every single aspect of India's relations with the international order. And we'll talk about it briefly when it comes to economics, for example.

To be fair, the author mentioned also the existence in India of a debate related both to the international obligation that such a status would imply for India – and here, I guess we relate to the Chinese hesitation about a greater role in the international system – and as well as its capabilities to exercise actual responsibilities rather than pursuing symbol of powers in international politics.

So – I mean, it is interesting, though, to confirm the trend already underlined in this chapter that is, despite its professed respect for international law, for example, India reject the international jurisdiction such as the International Criminal Court when it feel that they could generate international against its own secessionist movement and place, for example, Indian forces under the jurisdiction of international law. But this attitude is likely to ease as Delhi is aware that its own process of democratic nation-building isn't complete and will involve the use of state violence.

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So again, the very idea that this attitude could ease if India became a permanent member of the UNSC, because it could then insulate itself from the consequences of jurisdiction, is in itself interesting. It's not completely discordant with the traditional Indian attitude towards the U.N. as a community of sovereign state with equal right. But at the same time, it does reflect that should it be given the possibility to, again, adopt a slightly more – how could I say – insulate itself from the consequences of the fate of the community, then things would be perhaps slightly easier to accept.

And all the previous elements, to a large extent, explain India's attitude vis-à-vis the rise of the international civil society. Well, non-state actors were not in the past and still are not welcome when they address issues such as human rights and human rights' various components. New Delhi is all too aware of its own failure in the treatment of religious minority, of their protection, and the persistence of discrimination of all kind and so on, be it caste, gender or otherwise. But there is no doubt, however – and this is, in the words of Raja Mohan himself, that India is learning, too, to live with the reality of an increasingly intense NGO activity, internationally well-connected. So this is an

area where the progress observed is perhaps of degree than of nature. Nevertheless, what we see today is an Indian state which tolerate more than promote activities that it cannot prevent, but which – at the same time, it is coming to realize that they don't really threaten itself thanks to its greater capability, on one side, and self-confidence.

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And a last question regarding this aspect, which is the convergence of – divergence of interests with China and the United States – I mean, what Raja Mohan states is that all three states are suspicious of transnational institutions and refuse to cede power on national security matters. I mean, India is definitely no exception. But India does not view sovereignty as an absolute principle, nor does it oppose all intervention in the international affairs of other states. Well, fundamentally, what Delhi does is to seek to preserve and expand its own freedom of action. It uses regional institution to strengthen its own primacy in the subcontinent and beyond, in the Indian Ocean, contribute to the balance of power in the Asia-Pacific through more active participation in Asian regionalism and so on. And this by and large defines the relation of India with the international state of affair today. I mean, whether it reflects Raja Mohan's position or the larger Indian strategic community is a matter of debate; I tend to believe that this is by and large reflective of what the larger Indian strategic community thinks today of the way of looking at the international order.

If we now look – and I'll be quick on that – at the relation of India with the international economic system, I mean, we see tendency which are very similar – will just specify what Raja said, but in the economic realm – with some specificity, though. We for example see the constant tension between the demand of the system and what is politically feasible domestically. And this lead to – well, I don't know if it's a specific attitude of India in international relations, but definitely defines India's attitude in international relations – first, international – internal and domestic consideration dominate any global interaction; second, India stand on any given economic issue as to be determined, taking into account political – its political and economic impact; third, it takes much longer than anywhere else – and that I think is true – and it is far more difficult for India to achieve consensus on any issue that will allow its leadership to take a stand in any given negotiation. And there is never any clear, linear path that can be pursued by the leadership on any given issue.

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But having said that, the same author says, well, look, India is not that different from any other state, and basically is happy with the economic system as it is and would just like to be more integrated in it. And what he says, for example, that India has always been a free market economy – although he recognize that the private sector was at time undermined but never eliminated – and India does support a free market-oriented economic structure at the global level. It does support the WTO, it does support the Doha Round and – when it's – to be completed. Again, where India criticizes the system, it – when it feel that it makes too much place for what it sees as potential Western, or advances economist tendency towards protectionism, when they are aid by crises and so on. But it – much – it reject the – it doesn't reject the system much less that it wants to be part of it.

Similarly, on the question of India's relation with the international economic institution – the World Bank, the IMF – he wants to reform the quota system, he wants greater participation of the emerging economy – basically, to reflect what he feels is the changing economic reality. He doesn't want the elimination of such institution. Note that he basically wants a reform to it. He wants a

greater part in the management of these institution and a greater share in their responsibility based on what he says: new economic realities and also geographic consideration and – geographic and democratic consideration. So not surprisingly, the India debate on the role of international and regional institutions reflects largely India’s own upward mobility.

On the question of a more economic (sic) system as opposed to state control over domestic economic policies, the reality according to Rajiv Kumar is that India follows an open trading system; also, when – observe the persistence of states present in sector where it’s not necessarily desirable, such as banking, tourism and so on and so forth. Again, he basically says that India belongs to the system. Not enough, and they should do more, but this is definitely not a questioning of the system itself.

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India also consider, according to him, that multilateral trade regimes and regional free trade agreements are complementary – but sees the latter as definitely not a substitute or an alternative to the previous one.

And finally, the challenge that he sees – or that India sees, according to him – emerging from the different rate of growth associated with an open international economic system are of three categories: A, ensure that an open, liberal and market-based global economy are the result in the convergence that is stated – that is its stated goal and promise; second it is for the advanced economists to make the space at the high table – again, the same thing. It is for the advanced economies to make space at the high table. And third, it is for all members of the WTO to refrain from adopting protectionist measures, even when faced with economic slowdown.

So there is a remarkable convergence between this chapter by Rajiv Kumar and the previous chapter more general one by Raja Mohan. I mean, I’m not absolutely certain, for example, that this last chapter in the economy is totally representative of the actual Indian debate. If you look at the actual hangovers of the Indian economy, there is clearly a larger debate as to what the Indian economy is and should be, as reflected not simply by the intellectual discussions but also the hangovers in the – in the economy itself. And I’ve said already that there is a remarkable consistency between the two texts. Whatever the sector, India will criticize and continue to criticize the system whenever it feels it is a slowdown or a handicap for itself to play a greater role, but definitely wants to play a greater role in this system.

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So, overall, it is quite obvious that India’s discourse on the international order, whatever its specific dimension, has changed much more than the international order itself. The India we’re dealing with today is different. It is neither totally the same nor totally another, but it is an India which, in many ways, is predictable. What the crux of India, as I said initially, provide us with, is dynamic metrics. And I think that – I think that having done that he has done a wonderful job, and I’ll thank you for your attention. (Applause.)

MR. TELLIS: Thank you David, thank you Frederic. What I’m going to do is literally spend three minutes trying to offer some comments from a U.S. perspective on what I see to be

salient themes on the – from – involving China and India and questions of both the global order and the international economic system.

[00:42:10]

I want to start by trying to reconstruct what the U.S. vision of the postwar order was. And I would argue that the U.S. vision had three components that were central. The first was, of course, an affirmation that the Westphalian system had value and that the sovereignty of states could not be abridged. The U.S. has actually traditionally been a very strong advocate of state sovereignty, and the postwar system, even though it gave rise to new institutions like the United Nations, was never seen as a substitute or as a device for abridging state sovereignty. So the U.S. vision clearly had state sovereignty at the center.

The second, however, was because of the need to outlaw offensive war. The U.S. supported new international institutions, and the United Nations really became the key institution to negotiate differences between states. So it was seen as an ameliorating mechanism to kind of shape the rough edges of state sovereignty.

And the third, of course, was the abiding liberal vision that the United States had about respect for persons. And that vision of respect for persons was manifested in the strong support for democratic regimes because the belief was that only democracy allows the state to reconcile both the demands of sovereignty and the demands of its people in a way that was satisfactory both to state and society.

Now, of course, in our practice, we deviated considerably from the vision of these three components. And those deviations were mediated because of power politics. So for example, we pursued the question of the rights for persons with a certain vengeance when it came to looking at the states of Eastern Europe and the Soviet Union. The respect for persons, in a sense, became a tool for advocating larger changes in the context of global politics. But at least there was a certain vision that affected – that shaped the U.S. in the postwar – in the postwar period.

[00:44:20]

When it came to economics, it was a simpler vision, and that was a free trade system that would allow for the open exchange of goods and commodities, supplemented by the creation of new institutions that would provide a certain macroeconomic push. And the World Bank and the IMF were these two new institutions – (inaudible) – to provide this macroeconomic cushion. The GATT and later the WTO were the institutions that regulated the free exchange of goods and commodities. So these were the two big U.S. contributions.

So, when one looks at Chinese and Indian attitudes to this order, there are two or three things that come to – come to mind. The first is that both China and India have a very strong conviction about the importance of state sovereignty. And it is almost a conviction that is vengeful because the Indian and Chinese state formation experiments are still incomplete. And so both countries are very sensitive to the idea that others might intervene or abridge their sovereignty, even on what might be considered otherwise legitimate grounds – like the duty to protect or the rights of individuals.

So, you see that quite clearly in both papers, but the nuances and the differences, I think, are equally important – that the Indian author Raja Mohan makes the point that the Indian defense of sovereignty is a conditional defense of sovereignty rather than an absolute defense of sovereignty. For China, it's an absolute defense of sovereignty. There is absolutely nothing that justifies intervention in the internal affairs of states, whereas, for India, because it is a democratic society, it has to recognize the principle that external intervention, in some cases, may be justified when there are large-scale violations of either individual rights or personal freedoms. So, at least in theory, you get a distinction in terms of the absoluteness with which both countries pursue the goal of protecting sovereignty.

The second, quite interesting difference is with respect to institutional representation, and both David and Frederic talked about this. Both China and India see themselves as being better off in the current system compared to some alternatives, but both want to improve their position in the current system. And part of that process of improvement consists of securing greater rights and privileges in major international institutions. Now, for India, the key international institution is, of course, the United Nations Security Council because India is not a member of it. And so you get a very interesting point of convergence and divergence.

[00:47:14]

The point of convergence is that both countries argue that international institutions need to provide greater room for countries like China and India. But a very interesting point of divergence is that at least the Chinese believe that the U.N. Security Council, as presently configured, satisfies the interests of adequate representation, which I think is a subtle and polite way of saying that while representation in international organizations or expanded representation in international organizations is desirable, China seems to have some discomfort with the idea of seeing India as a peer member of the U.N. Security Council.

So, when one actually applies the principle in its detail, you begin to see very interesting differences of nuance. When one looks at the international economic system, again, the broad point of convergence is that both countries today see value in the open trading system. But there is a very clear commitment to seeking asymmetric gains, again, on the grounds that both India and China are developing countries, and therefore, cannot pay the costs for expanding the system further.

[00:48:33]

In other words, if the multilateral trading regime is to be expanded, as the United States seeks through Doha and the post-Doha alternatives, both our Chinese and Indian contributors argue that the costs of that expansion ought to be – ought to be paid by those who are larger beneficiaries of the system, meaning those in the developed world, rather than looking to countries like China and India to pay those costs.

There are two or three other differences that I found very interesting. On the issues relating to the role of the dollar as the international reserve currency, Chinese and Indian views are completely opposed. China would like to see the dollar replaced, eventually, by either a basket of currencies or presumably Chinese currency over time, whereas the Indian contributor is quite adamant that the dollar as the international reserve currency is a very satisfactory arrangement and, if

anything, ought to be strengthened, again, because of the Indian fears that the replacement of the dollar, particularly by Chinese currency, might turn out to be disadvantageous for India.

[00:49:44]

The third – the third element on the issue of the economy has to do with state-owned enterprises and the role of state-owned enterprises in the international trading order. The Chinese position was interesting because it affirmed that state-owned enterprises were a natural part of the Chinese landscape, and the international order had to find ways of accommodating state-owned enterprises. Now, why are state-owned enterprises relevant? State-owned enterprises are relevant because in theory, state-owned enterprises can immunize themselves from the discipline of the market, because they have access, essentially, to unlimited taxpayer funds, at least in theory. So you can manipulate outcomes in international exchange by circumventing the standard profit and loss mechanism, because if things go awry, you can always rely on the taxpayer to bail you out, or to subsidize what might be unproductive ventures.

Now, the Chinese position is that state-owned enterprises are a feature of the system, the system simply has to learn to accommodate this, whereas the Indian position seemed to be that state-owned enterprises don't have to be an anomaly. We have to find ways of limiting their ability to misuse the system. And therefore, this is another avenue for how the system could evolve.

Finally, with respect to international economic institutions, the key point of convergence again was that both sides advocate increased representation, increased influence, increased power in terms of representation in institutions like the IMF and the World Bank. But it's not quite clear from the papers whether each side would be tolerant of the other state acquiring greater influence, especially if it comes at their own cost.

So if one were to kind of take a bird's eye view of the two presentations, I think the conclusion that can be drawn very readily is that when it comes to matters of principle, whether the matters of principle apply to international politics or international economics, there is a considerable degree of convergence in the rhetorical positions taken by both countries. When it comes to implementing those principles in terms of gains, then both countries become very sensitive to the gains made by the other vis-à-vis themselves, and then you detect a certain diminution in their enthusiasm for how those principles are to be applied. In other words, no matter what their views about reform may be in the abstract, when one has to actually implement reform and that implementation has power-political consequences, you begin to see a distinct drawing-back from the full application of those principles.

[00:52:36]

So I'm going to end those brief comments, and I want to open the floor. I would just, in the interest of time, urge you to be as specific and pointed, either in your questions or in your comments, and just identify yourself as I – as I recognize you. Tesi?

Q: Thank you, and thanks to all three of you. Tesi Schaffer, from Brookings.

I wonder if there isn't another point of convergence between India and China. And it's something David Shambaugh referred to when he said that China – you didn't say they were a free

rider, but you sort of said they were a free rider on the system. I wonder if that is not also true of India, if both of these countries, as they seek a larger role, also want to minimize the cost of paying for it, even if doing so, to some extent, winds up circumscribing their role.

[00:53:36]

MR. TELLIS: Excellent, thank you.

Why don't I take a couple more, so that we can get a few more under the belt? Yes, sir.

Q: Thank you, Rob Cullarian (ph), AIC Investments.

In the first panel, the secretary did talk about Africa. I think you all mentioned BRICS. I was curious as to how that interaction with these emerging markets association – has – how has it been either positive or negative for the respective countries?

MR. TELLIS: OK, David, Frederic, why don't I give you a chance to answer both those as you feel?

MR. SHAMBAUGH: I'm not sure I fully understand the second question. Could you just briefly restate it?

Q: Sure. You have both China and India as part of BRICS, along with Brazil, Russia and South Africa.

MR. SHAMBAUGH: Right.

Q: Can you comment as to, from your perspective, has the – has the experience been positive, neutral or otherwise?

MR. SHAMBAUGH: The experience of the organization?

Q: Yeah.

[00:54:35]

MR. SHAMBAUGH: All right, OK – well, just briefly on Tesi's question about free riding, one can't say that China is a complete free rider in the international system, it does contribute. But what I was trying to say that it doesn't pay full fare, you know, if you want to use that metaphor. And one could even say that it should be paying more than the established fare, given its size and role and wealth and power in the world community. So you know, if the fare is 50 cents, you know, what the argument could be made that China should be paying 75 cents to get on the bus, not just the 50 cents. What I'm arguing is China's paying 25 cents, you know? It's underpaying, it's punching below its weight. It's not carrying a level of responsibility or contributions commensurate with its size, wealth and power.

You know, we're not talking about Nigeria here. We're not even talking about India here. (Chuckles.) So that's the point I tried to make. I would say, though, that – so China is a

contributor, it's just not contributing to what I at least, and Zoellick's argument and others, would hope for. One can go on about that at some length, but for the sake of time, I won't.

[00:55:53]

China's experience with the BRICS – well, it's a Chinese initiative, to begin with. They're the ones who organized it. To date, they're – I think they're not fully satisfied with it, because they were hoping that it would become a kind of alternative power center, you know, in their great quest for multipolarity. You know, they – it's like the EU; they've always wanted the EU to act as a more coherent unit – they're not the only ones, I might say – (chuckles) – you know, but to try and –

MR. : (Off mic.) (Chuckles.)

MR. SHAMBAUGH: (Chuckles) – you know, to try and counterbalance the Americans, diffuse power in the world, create the multipolar world. So I see the BRICS – well, their – there's – their role in the BRICS and their aspirations for the BRICS as similar to the SCO, and if they had their druthers, with the way they wanted the East Asian Summit and other regional multilateral groupings in East Asia to go. But the BRICS haven't lived up to that expectation in their view. They – in other views, it's not acting with the coherence and the kind of anti-Westernism and anti-Americanism that they would like to have seen it do, because the five members of the BRICS have very different perspectives and different interests on the West and on the global order.

So they've kind of created something that they can't control, and they're a little bit – I would say the Chinese are a little bit frustrated by the way it's evolved. And I don't know if my Chinese colleagues would agree with that, but –

MR. GRARE: On the question of free riders, I would probably agree. And I think that – to link the two questions – BRICS is a good example of that. BRICS, in a way, for the Indian, doesn't seem to be that important, but this is convenient whenever the BRICS question the system in areas where India would like to challenge the status quo and get more leverage. But India will not be the country which will take the initiative to actually do it. And India in a way consider the BRICS as an institution which meets from time to time and has only the political importance that one wants to give it at a time you do organize a summit. So in that sense, yes, India is a free rider.

[00:58:09]

There are other examples where India is not a free rider, and where you can compare attitude between China and India. I mean, one very typical example is Afghanistan. Well, I mean, when you – well, or at least with the Chinese colleagues that I spoke to, or even some officials, the answer was, at least privately, yes, yes, we're free riding. So they were usually very happy to criticize the West for whatever wrong it was doing – and there was indeed a lot to criticize in Afghanistan – but when asked the question, but do you want them to leave, the question was – the answer was immediately no.

I mean, India didn't have that attitude. And they used – the Chinese used the term free-riding from time to time. India didn't have that attitude. So sometimes, yes, you're absolutely right, India can be a free rider, and sometimes, India is not and is willing to assume some responsibility.

Now, there are questions that for which it is – how could I say – actively free riding. There are things where it just doesn't know what its position should be. I think that a number of issues that we've seen emerging in the Middle East, for example, in the Gulf in particular, India doesn't know what to do, and therefore, is agitating and even as a critic is reflecting more hesitation, more uncertainty than anything else. And sometimes, it is an active free rider somewhere else, yes, this is true.

MR. TELLIS: Let me make a brief comment on the BRICS, because I think it's a very interesting and an important question which shows you the limits and the strengths of these kinds of groupings.

[00:59:44]

The BRICS was intended to do – perform two functions. One is coordination of economic and strategic policies among these five emerging countries, and the second was to serve as a trade union for bargaining with the rest of the world.

It has failed on both counts. It's failed on both counts because where it comes to coordination, there are very dramatic disparities between the five BRICS members themselves, and it's not clear that there is a tight web, even of economic interests, among the BRICS members.

So the coordination has been minimal and has been more rhetorical than substantive. but its failure as a trade union has been even more pronounced, for a very simple reality that each of the BRICS members has far more productive relations with the West and the United States than they have with each other. So even though the BRICS forum provides the rhetorical scaffolding for trade-union-like activities, when push comes to shove, in terms of actual bargaining, they realize that they have far greater equities with the West – and I'm talking best in economies rather than best in states – than they have with each other. And so even the bargaining potential that was implicit in the BRICS concept has not lived up to its promise.

But it has other utilities, you know, Frederic identified. In symbolic terms, it provides a forum; it provides an opportunity for ad hoc coordination whenever some opportunities arise. But is this going to be really an alternative model of where the crucial issues of the global political and economic order will be resolved? The answer, I think, is, unfortunately, no.

[01:01:35]

MR. SHAMBAUGH: Ashley, can I just add one point I wanted to make about your earlier observation about the Chinese and the Security Council and the disparity between their principles and their implementation?

It's not just India that they oppose on the Security Council; it's also Germany, Japan and Brazil. So, you know, in principle, they love democratization of international institutions, but when it comes down to implementing that principle and undercutting their own role, I think they would like to be the spokesperson for the middle powers and the rising powers in the world on the Security Council.

But anyway, so it's just – again, it's not just India that exposes that contradiction in Chinese policy. There are these other cases as well.

MR. TELLIS: Well, the great rule for the expansion of international institutions always is that the last member admitted in believes that expansion should stop at that point, right? (Laughter.)

Yes, sir.

[01:02:27]

Q: (Off mic.)

MR. TELLIS: Microphone.

Q: Adityanjee from Council for Strategic Affairs, and I have actually comment on all three, starting you – with Ashley.

You stated that both India and China are emerging powers. Let's be very historically correct. Year 1750, the contribution to global GDP by India and China was 60 percent. India's contribution was 26 percent; China's was around 33-point-something percent. So they're not emerging powers; these are the powers that are taking their rightful place historically that had been usurped by the West. That's a very important, actually, nuance to understand in India-China relationships as well as China-West relationship and India-West relationship.

Both these countries are not just countries. These are continental countries. These are civilizational countries. And I know that in the United States, the historical memory is very short, as much as yesterday. So there are differences in perception and understanding what these countries are saying. One represented the Sinic civilization and the other Indic civilization, and I think these historical facts have to be kept in mind while dealing with both these countries.

Both have more than 5,000 years of history. Again, that plays into some of these postures or aspirations these countries are taking. So that is for you, Ashley.

Now, talking about David, there has been a lot of discussion about differences between India and China. I think even in post-World War II era, we need to see how these countries have behaved differently. One is the issue of territorial sovereignty. China's concept of territorial sovereignty is very elastic, and actually, it has been increasing the land under its sovereign government by any means. And the tensions you are seeing in Northeast Asia, in the South China Sea are just reflections of China's desire, aspiration or hunger for land, whichever way it can grow it.

And that is different from India because in contrast to, let's say, post-second world war, China's territory has expanded; India's territory has shrunk. Actually, if you go back in history, in 1937 the current state of Myanmar was part of British India. It was separated 1947. Pakistan separated. And of course, that was part of India's actually historical territory because – if you were a continental country. So there are differences.

[01:05:31]

Second difference is that 20 million Chinese citizens lost their lives in the cultural revolution; didn't happen in India. So Indian, actually, responses are very, very different from Chinese responses. And on the issue of Security Council, India was offered permanent membership of Security Council in 1954. Jawarharlal Nehru actually turned it down because he didn't want to antagonize China because it was the China seat that was being given to India.

India acted in a very statesmanlike fashion, not narrowly self-absorbed, not asking for me to, you know, respond, but India did what was right at that point in time, saying that India does not deserve this seat; this rightly belongs to China; let China have that.

MR. TELLIS: Adityanjee, compress it, please. We want to go on.

Q: OK. So there are differences that India has taken in internationalist sense compared to China when it comes to its own relationships. China has been having an exclusionary nature that in any international field when it thought that it wants revisions, but it would not like India to be part of the Asian economic structure. They would like to have ASEAN plus three, not ASEAN plus five. And the story about BRIC also, it started at a RIC – so, you know, initially announced by Primakov – became BRIC.

[01:06:59]

Why South Africa was added? Because China wanted to neutralize IBSA, which was a democratic grouping. So there are far nuanced things. There's a strategic rivalry and peer competition going on, and you cannot say, very generalized, that these are the same countries, kind of.

MR. TELLIS: Yeah. Thank you. I'll offer the microphone here. Did you have your hand up?

Q: (Off mic.)

MR. TELLIS: No, no. I don't want you to ask a question, but I'm – (laughs).

Q: (Off mic.)

MR. TELLIS: OK. Then very quickly, because I want to adjourn this session and move to the next. So just quickly, please. Thank you.

[01:07:35]

Q: Thank you. Amji Ling (ph) with Voice of Vietnamese Americans. Come back to the political and economical global order. Where do you see the convergence and the divergence of China, India and the U.S. in the Asia and Pacific area, especially the Southeast Asia? I just saw the ambassador of Indonesia here somewhere, so including ASEAN. Thank you.

MR. TELLIS: Well, I'll pass that big question onto David. (Laughter.)

MR. SHAMBAUGH: (Laughs.) I was just about to pass it to you actually, Ashley – (laughter) – so we can split the difference and you can respond.

MR. TELLIS: Thank you so much. (Laughter.)

MR. SHAMBAUGH: You know, convergence of those three in the East Asian order is, I think – as I understood your question, East Asia, including, in this case, Southeast Asia. I don't see it, no. I see that India and the United States have a lot of convergence on – in Southeast Asia, including over China's territorial claims. But China's the odd man out in that regard, and I don't really see tripartite cooperation actively in other domains either.

You know, take, for example, the Lower Mekong or – the one area where it could – where there is a lot of potential is in nontraditional security, particularly anti-piracy operations, humanitarian relief operations. There, there is some potential and there's already actually some active collaboration, and the Rajaratnam School in Singapore is, with the help of the MacArthur Foundation, driving a project on multilateral nontraditional security cooperation in the region in which they're trying very hard to get the Chinese and the Indians to the table to work together cooperatively. So that's one area, yes.

But otherwise, I see the national security interests of those three countries as being very different in East Asia. Economically, differences too. And so I don't see a lot of convergence, to be honest with you, between the U.S., China and India. I see it between India and the United States, minimal convergence between the United States and China and minimal convergence between China and India.

Sorry – (inaudible) –

Q: (Off mic.)

MR. SHAMBAUGH: Well, you can take – yeah. Hence, there's divergence in the – two of the three cases.

[01:10:03]

MR. GRARE: I tend to agree that in terms of convergence, it's really difficult to identify any between those three states. I mean, I don't know if that can – if it can be stated a convergence, but I mean, this is nevertheless important. As obvious as it may seem, I mean, the willingness of the three powers to avoid any conflict in the area is certainly one convergence.

And again, as obvious as it may seem, it also sets the limit of the conflict of interest for the three in the area, and China in particular. And that set a completely different political space to be exploited one way or the other, rightly or wrongly, into place. But that's about all I can see there.

MR. TELLIS: Well, this is a subject that we can discuss at great length, and there are many dimensions that we will come back to in other panels. But I want to adjourn this part because I've lost complete control of the – of the schedule at this point, thanks to my friend Kurt.

But we will do is break very quickly. We'll take a five-minute break, come back for the second panel. And I do promise you you will have lunch, though we may kind of squeeze the lunch break a little more than I had intended to. So five minutes and then we'll reconvene for Panel II.

[01:11:21]

(END)