OBSERVER RESEARCH FOUNDATION (ORF) – CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS)
DIALOGUE ON EAST ASIA
(NEW DELHI, MARCH 17-18, 2005)

## Conference Summary

On March 17-18, 2005, the Center for Strategic and International Studies (CSIS)[1] and the Observer Research Foundation (ORF) of India hosted a private dialogue on East Asia[2], bringing together approximately 30 former and current American and Indian officials and scholars. The two-day conference coincided with the official visit by the U.S. Secretary of State Condoleezza Rice to New Delhi.

Participants from the two sides shared their respective viewpoints on the political, economic, and security environment to identify areas of mutual interest in East Asia. The discussion focused on identifying current and future challenges and opportunities in the bilateral relationship.

During introductions, ORF chairman Mr. R. K. Mishra described the conference as a step toward building consensus and strengthening U.S.-India relations with all humanity in mind, and not solely in strategic terms or to gang up against others. Ambassador Teresita Schaffer, former ambassador to Sri Lanka and director of South Asia Program at CSIS, remarked that India and the United States need to develop the bilateral relationship in a broader context. She stated that just as the two sides have had joint thinking on Nepal and Sri Lanka, it is time to increase understanding of the two sides on developments in East Asia. She identified energy cooperation, defense ties, and exchanges between two leaders as significant aspects of U.S.-India relations. In addition, Ambassador Schaffer mentioned three areas that fall beyond official relations as important candidates for further bilateral cooperation: 1) enhancing trade and investment, 2) environmental issues, particularly water; and 3) health, particularly HIV/AIDS.

India's Foreign Secretary Shyam Saran provided a public keynote address to inaugurate the dialogue. Mr. Saran stated that during his talks with Secretary Rice the day before (March 16), Secretary Rice made very clear that President Bush was keen to take U.S.-India relations to a new level. Mr. Saran offered a vision of future U.S.-India relations as one of a "strategic partnership" of two great vibrant and prudent democracies that each require management of a multi-ethnic, multi-religious society. He noted several policy areas for further bilateral cooperation, including national defense, and transnational issues such as climate change, HIV/AIDS, energy, and environmental protection. Mr. Saran stressed that India's desire to have "greater strategic autonomy and space as its military and economic power increases will not clash with U.S. strategic interests." To this end, Mr. Saran added that his government expressed its desire to increase predictability and reliability of defense hardware purchases from the United

[1] The conference was a collaborative effort of the International Security Program (ISP) Asia divisio, led by Senior Fellow Derek J. Mitchell, and the South Asia Program, led by Ambassador Teresita Schaffer.
[2] "East Asia" as used here includes "Northeast Asian" countries China/Taiwan, Japan, Korea, and Mongolia; "Southeast Asian" countries Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam; and Australia, New Zealand, and Oceanic island countries in the South Pacific.

States as part of further defense cooperation, and its wish to acquire new peaceful nuclear energy technology and equipment from the United States.[3] Secretary Rice assured India of the U.S.'s intention to become a reliable partner.

Subsequent sessions of the dialogue took place on a non-attribution basis. The following summary seeks to capture the range of views expressed by speakers and participants.

**The impact of current U.S. and India security strategy on their orientation toward East Asia**

U.S. participants observed that China's rise has served as one reason for the United States and others in the region to seek closer relations with India. One participant discussed different schools of thought in the United States concerning China, particularly within Republican circles. One school believed China should be at the center of U.S. strategy in Asia, which was dubbed the Kissinger school. A second school gave priority to traditional U.S. alliances in the region, particularly Japan, South Korea, and Australia, to manage the rise and integration of China. This was dubbed the Armitage/Schultz school. Finally, a school exists that believes China should be considered the coming adversary or enemy of the United States. The U.S. participant contended that the Bush administration may be entering a phase combining the first and third of these schools, leading to very difficult internal policy-making on China in the United States in coming years.

The threat of international terrorism also brought U.S. attention to the region. U.S. strategic focus had been shifting from Europe to Asia as the Cold War grew more distant, yet the focus turned toward the Middle East after September 11. To the degree that the Bush Administration concentrated on Asia in the last three years, it has solicited support from the region for its counter-terrorism efforts—the United States is relying on support from Australia, Japan, and Singapore for its actions in Afghanistan, and also needs the support of China for countering terrorism. Unfortunately, the United States has failed to engage successfully on the North Korea nuclear issue, worsened an already strained relationship with South Korea, and has played little role in supporting multilateralism in East Asia. The trend toward Pan-Asian multilateralism is causing anxiety among U.S. policymakers. Meanwhile, the last three years has seen China rise in regional influence.

A U.S. participant identified several additional challenges the United States will face to maintain stability in East Asia: 1) the possibility of countries in the region such as Japan, South Korea, and Taiwan, considering a nuclear option should North Korea's possession of a nuclear arsenal be confirmed; 2) strengthening and managing bilateral relations in Asia, especially between China on the one hand and Japan and Taiwan on the other; 3) the changing dynamics of Islamic politics in Southeast Asia; and 4) developing a regional trade and macro-economic vision.

A U.S. participant added a comment about the serious threat should terrorists gain access to weapons of mass destruction (WMD), noting that war has become privatized—no longer does

[3] Full record of the speech is available at http://www.csis.org/isp/asia/US_India.htm

the theory hold that nation-states will not leak weapons because these weapons are too dangerous, as the case of A.Q. Khan showed.

Indian participants considered the rise of China and the threat of international terrorism as a challenge. They observed that India's relationship with East Asia has changed after September 11. Prior to September 11, increased globalization, and China's rapid economic growth and role in the 1997 financial crisis as a stabilizer of East Asian economy, led the region to question whether democracy matters for regional stability. After September 11, however, the region, including the United States, placed more value on the role of democracy and counter-terrorism in their strategic agenda. Indian participants viewed this development, which corresponds with their own interests, as offering an s opportunity to engage East Asia.

Participants thought that India and the United States should work together to help manage China's rise. A U.S. participant stressed that the two sides should ensure that China's rise does not lead to wars, as the rise of Germany and Japan had. The two sides should make sure that a vacuum does not develop in the region which China could expand and fill, but at the same time ensure that China does not feel isolated or surrounded by hostility.

## Overview of relations with Northeast Asia

*India's relations with Northeast Asia*

On India's relationship with Japan, an Indian participant observed that Japan has been much more interested in engaging India on security issues in recent years than trade and economic issues. The participant suggested many areas for Indo-Japan strategic cooperation, such as managing the rise of China, North Korea, maritime security, including cooperation through the Proliferation Security Initiative (PSI), as well as strengthening U.N. peacekeeping missions, and supporting each other's membership in global and regional multilateral institutions. The participant noted that India is Japan's natural strategic partner because India is the world's largest democracy with a superb naval force and military under civilian control. However, an Indian participant said Japan needed to raise its profile in India, which is declining due to the slowdown in Japan's economy, lack of Japanese FDI in India, and stagnation in bilateral trade. Indian participants also noted that Japan could play a larger role in fostering regional integration in the wake of a decline in U.S. credibility following the 1997 financial crisis. U.S. participants noted the problem of Japan's tense relationship with its neighbors as a constraint of Japan's more assertive regional profile.

An Indian participant commented that India's relationship with China is improving both economically and politically, with dramatic expansion in two-way bilateral trade (about USD13 billion in 2004) and negotiations taking place to ensure peace along the disputed border. China has also disengaged itself somewhat from India's troubled relationships with Pakistan and other South Asian countries. However, China's military relationship with Pakistan in the nuclear and missile areas continues to be a serious impediment to trust between the two sides. The Indian participant stated that India currently does not see China as a threat because China's current

security concerns lie to the East in the Pacific, and not to the South over the Himalayas. However, the participants cautioned that the situation could change in the long-run.

*U.S. relations with Northeast Asia*

U.S. participants commented that U.S. alliances, particularly with Japan, South Korea, and Australia have served as the centerpiece of U.S. regional security strategy. A U.S. participant highlighted the success of the U.S.-Japan alliance in integrating Japan into the region without causing friction. He noted that the October 2000 Armitage-Nye report was the forerunner in conceptualizing the U.S.-Japan alliance after the Cold War in ways that would promote Japan to become a more complete partner in the alliance, anticipating the agenda of the Bush Administration. Japan's logistical support to the U.S. military campaign against Afghanistan and troop deployments to Iraq are evidence of this development.

On U.S.-South Korea relations, however, U.S. participants acknowledged the divergence in perspective between the two sides over North Korea: while the primary goal of the United States is to denuclearize North Korea, South Korea puts higher priority on stability and national reconciliation on the peninsula. At the same time, the U.S. decision to move several thousand troops out of South Korea over the next few years and uncertainty about U.S. tactics and intentions to ward North Korea have caused anxieties among South Koreans.

According to a U.S. participant, a key difference between Japan and South Korea in their relationships with the United States is their differing views toward China. South Korea has cultural affinity and generally constructive relations with China, and sees China particularly as a country of economic opportunity—China is already the largest trade partner of South Korea—while Japan, whose largest trade partner is also China, nonetheless is increasingly concerned about the political and strategic threat China may pose to it in the future.

A U.S. participant described two conflicting views in the United States on China—one that sees China as a security threat and another that sees China as a business opportunity. Although the current Bush administration has treated China more as a partner than a competitor following September 11, it began to view China as a strategic challenge after China promoted the notion of an "East Asian community" in late 2004. Although the two economies have become so interdependent that China's failure, not its success, has become a U.S. concern, on the security front China's military build-up has become a serious disturbing factor to the United States, particularly as it relates to Taiwan. China's expansion of its naval projection capabilities, ostensibly to secure open sea lanes for strategic commodities could pose a challenge to India and the United States. A U.S. participant stated that trilateral cooperation among India, the United States, and China would be difficult given these security concerns, although dialogue among the three powers on such issues will be important.

With regard to the North Korean nuclear issue, a U.S. participant stated that, over the last four years, the United States pursued less a policy than a process, i.e., the six-party talks. Nonetheless, North Korea's nuclear program has only accelerated in recent years, affecting regional security, including India. The participant noted that India may wish to participate in the process in some way, particularly given North Korea's historic link to Pakistan.

## Overview of relations with Southeast Asia and regional institutions

*India's relations with Southeast Asia*

Indian participants commented that both India and Southeast Asia currently see each other as strategic partners. After the Cold War, India began its "Look East Policy," as it liberalized its economy and tried to limit Chinese and Pakistani influence in Burma. Southeast Asia also began to place emphasis on engagement with India in the early 90s due to the rise of China and the reduction of U.S. presence in the region following the U.S.'s loss of bases in the Philippines. According to an Indian participant, however, the region is seeking an India that does not set itself up fundamentally in competition or opposition to another power such as China, or bandwagon with another major power such as the United States. Hence a large question for India is how to play a regional role and take more initiative both in developing regional integration and in pursuing bilateral relations—with ASEAN countries, as well as with major players such as China, Japan, and South Korea.

An Indian participant noted that India is concerned over its limited ability to become integrated into the region's multilateral institutions. India is a dialogue partner of ASEAN and is a member of the ASEAN Regional Forum, as well as a member of two sub-regional initiatives in Southeast Asia that do not include China: 1) BIMST-EC (Bangladesh-India-Myanmar (Burma)-Sri Lanka-Thailand Economic Cooperation), and 2) the Mekong-Ganga project.[4] However, the Indian side expressed strong dissatisfaction over its exclusion from certain other institutions such as ASEAN, APEC, and ASEAN Plus Three, stating that the country considers itself the center of Asia, whether East or West, and critical to the evolution of Asian solidarity.

Indian participants mentioned other ways in which India is pursuing cooperation with the region, such as wide-ranging naval exercises with countries including China and Vietnam; provision of defense training and services to countries such as Burma; and counterterrorism cooperation. An Indian participant explained that India's perception of terrorism not only includes jihadism and Islamic extremism, but also ethnic separatism in its northeast region.

Many Indian participants expressed concern over the inflexibility of U.S. policy toward Burma. Indian participants commented that India has much interest in Burma. India needs Burmese Co-operation in its counter-insurgency operations in its northeast. India also has a keen interest in Burma as an investment destination to gain access to Southeast Asia, and in a natural gas pipeline from the country. India worries strongly over China's unique influence and involvement in Burma and access to military facilities right on India's doorstep.

[4] The Mekong-Ganga was launched in November 2000 to develop an East-West communication and transportation corridor. This network is expected to expand commercial and inter-personal contacts between the people residing on the banks of the Mekong and Ganga rivers. The signatories of the Mekong-Ganga Cooperation agreement that supports the project include five ASEAN countries (Thailand, Vietnam, Laos, Cambodia, and Burma) and India.

*U.S. relations with Southeast Asia*

U.S. participants agreed that U.S. policy toward Burma has been relatively inflexible, but there was some disagreement about an appropriate alternative approach. Burma is one issue where U.S. policy diverges with its closest allies in the region. Participants acknowledged that U.S. policy is providing China an opportunity to penetrate into Burma without competition politically, economically, and militarily. However, a U.S. participant countered that the United States can hardly compete with China for influence in Burma under current conditions without sacrificing its core values, and given the presence of such a symbol of democracy as Aung San Suu Kyi. The participant added that while sanctions have not worked to effect change in Burma, neither can engagement by ASEAN and other claim much better results.

The U.S. side contended that U.S. policy toward Southeast Asia as a whole has not changed much since the end of the Cold War. The exception is the 1997 financial crisis. U.S. participants recognized the U.S.'s poor handling of the situation, particularly compared to China. Although the region still suffers from the consequences of the crisis, the U.S. participants observed an upward trend in both governance and economies since then. Policy toward Burma is the one area where U.S. and Indian perspectives diverged, as indicated.

According to a U.S. participant, Vietnam has one of the brightest economic prospects in Southeast Asia. India and the United States both have reached an understanding with Vietnam concerning Hanoi's accession to the WTO. Politically, Vietnam is concerned over developments in China, and is working toward a better political relationship with the United States as an insurance policy, although careful not to set itself in opposition or antagonistically against its large neighbor.

In the Philippines, population growth and budget deficits eroded the investment climate and economic progress in recent decades as the country has fallen further and further behind other countries in the region. Vietnam will overtake the Philippines by many economic measures soon. Although recent elections in the country indicated evidence of continued commitment to democracy, the result is little significant change in policy to turn the country around.

Singapore thinks most strategically among the Southeast Asian countries, and U.S. participants agreed that Singapore is, although not legally by name, in fact a U.S. ally. The U.S. side contended that Singapore can help facilitate Indian access to the region and participation in regional groupings.

The U.S. side explained that, although U.S.-Malaysia relations have experienced tensions at senior levels, working-level relationship has been productive, especially on the issue of terrorism and maritime security. The United States views Malaysia as a role model of a Muslim-majority nation, which has developed its economy successfully and managed its multi-ethnic society well through democratic processes.

The U.S. side contended that Indonesia's political instability rather than economic problems would impact the region in terms of refugee outflows, etc. Indonesia's military did not interfere in the recent presidential election, and gave up its set-aside seats in the parliament, showing its

willingness to step-back from politics. U.S. participants stressed the importance of U.S. cooperation with the Indonesian military through the International Military Education and Training program (IMET). U.S. participants also recommended that the United States provide military assistance in: 1) counter-terrorism, by offering to assist the Indonesian police airlift capability; and 2) responses to natural disasters such as tsunamis.

U.S. participants observed improved relations with Thailand. The United States is in the process of Free Trade Agreement (FTA) negotiations with the country, although much skepticism exists on the part of Thailand regarding the U.S.'s seriousness. Thailand is reducing its reliance on the United States for security, leading to the sense that Thailand is becoming increasingly independent from the United States.

**Opportunities for U.S.-India cooperation**

*Security Front*

Participants agreed that both the United States and India would benefit from developing further their strategic cooperation in East Asia. Indian participants emphasized India's experience with democracy and counterterrorism, its huge market, young population, and IT software industry, and international orientation as valuable assets that allow the country to engage positively in East Asian affairs. The Indian side contended that further developments in the knowledge-based sector would be a win-win situation for both the United States and India. U.S. participants agreed that India may contribute much to the region, including helping to manage the rise of China and to meet the threat of international terrorism and non-proliferation.

A U.S. participant suggested three other areas of potential bilateral cooperation. First, given the growing competition for energy in the region, the two sides could find ways to diversify suppliers and foster technological development to increase energy efficiency and develop alternative fuels. Second, the two countries can spur the global economy by cooperating on strengthening WTO's management of the global economic system. Third, the two sides could cooperate in reforming the United Nations, whose structure, according to a U.S. participant, does not seem to reflect the power structure of the 21st century. India could encourage the Bush administration to consider a new structure that increases the legitimacy and effectiveness of international institutions. The two sides could produce a common vocabulary to push such a reform effort.

U.S. participants also focused on defense cooperation as a potential area for cooperation. Because defense procurement will become more important for India in coming years, the two sides may have common interest in this regard. U.S. defense contractors are looking to India as a long-term business partner. However, during the dialogue, both sides stressed more the problems on this front, as noted below.

*Other*

In discussing ways to increase bilateral cooperation, Indian participants noted the role that Indians in the United States are playing as growing force in bilateral relations. However, they agreed that Indian expatriates have yet to become a loud or influential political force overall in the United States like other expatriate interests such as those representing Israel or Taiwan.

**Challenges in U.S.-India defense relations**

While numerous areas for bilateral cooperation exist, participants recognized several areas of possible contention in U.S.-India relations.

The Indian side expressed strong dissatisfaction over U.S. sanctions on the supply of high-tech defense goods to India. An Indian participant complained of the unpredictability of U.S. commitments, noting for instance that U.S. commitment to supply fuel to an Indian nuclear reactor was overridden by U.S. domestic legislation. The U.S. side responded that U.S. provision of defense items to India, or any other country, is subject to applicable U.S. laws and congressional oversight, but stressed that a new era in U.S.-India relations was dawning, and urged the Indian side to move beyond the legacy of the past by testing the United States on defense sales, etc. One U.S. participant added that it was India that had rejected a U.S. offer to sell New Delhi an advanced radar system.

A U.S. participant cited other issues that impede opportunities for U.S. defense contractors. These included India's traditional reliance on Soviet-made equipment, and bureaucratic delays within both the United States and India. He noted, for instance, that it takes 12 months for a U.S. firm to discuss high-tech defense work with India—six months to get votes from14 U.S. government agencies and six months to write a license after approval.

**Conclusion**

The dialogue concluded with a discussion on next steps for the dialogue. Participants agreed that further discussion of respective security strategies and policies toward East Asian issues such as Burma, China, North Korea, etc., would be extremely useful. Participant also agreed that Japanese representatives should be included in the next round of dialogue.