

**U.S.-Japan-India Strategic Dialogue
September 22-24, 2010
Washington, D.C.**

Recognizing the strategic potential for expanding cooperation on regional and global challenges and the shared values among the United States, Japan and India, the Center for Strategic and International Studies (CSIS), Aspen Institute India in collaboration with the Confederation of Indian Industries (CII), and the Japan Institute of International Affairs (JIIA) initiated the U.S.-Japan-India Strategic Dialogue in June 2006.

Co-chaired by Yoshiyuki Kasai, Chairman of the Central Japan Railway Company, former CII Chief Mentor Tarun Das, CSIS President John Hamre and former Deputy Secretary of State Richard Armitage, and directed by Michael Green of CSIS, the Strategic Dialogue convened for the seventh time in Washington, D.C., from September 22 through September 24, 2010. As before, all the sessions and other events were held on an off-the-record basis to help stimulate debate. Meetings and consultations were also held with members of Congress and the administration.

The major themes discussed are summarized below.

SECURITY ISSUES

All three delegations reiterated support for establishing a trilateral strategic dialogue among the three governments, noting that Secretary of State Hillary Clinton included this proposal in her January 12, 2010, speech on Asia. It was pointed out that trilateral discussion formats in Asia can supplement broader forums such as the Asia-Pacific Economic Cooperation (APEC) forum or the East Asia Summit (EAS), given the diversity of interests, economic development levels and political systems in the region. In this context, a first track U.S.-India-Japan trilateral dialogue would coexist with other such dialogues among India, China and Russia or the United States, Japan and Australia, and would contribute to broadening dialogue rather than dividing nations.

The participants acknowledged the fortitude and sacrifice being demonstrated by the members of the U.S. and allied armed services as well as from civilian agencies and NGOs from all three countries operating in Afghanistan. Japan is the second largest donor to Afghan reconstruction after the United States. India also is a major donor and has a core strategic interest in the defeat of extremism and the emergence of a stable and successful Afghanistan. Both the Japanese and Indian delegations noted that the variable they watch most carefully in Afghanistan is the future U.S. role and expressed some concern about mixed signals coming from Washington about U.S. longer-term intentions in Afghanistan.

Participants noted that the re-rise of China is one of the most important factors in Asian and global affairs today and confirmed their common desire to see a constructive China become part of the solution to regional and global problems. However, this seventh session of the trilateral strategic dialogue stood out in terms of all the participants' concern about China's assertive

diplomatic and military stance over the past year, most recently in the wake of a collision between a Chinese fishing boat and Japanese Coast Guard vessels near the Senkaku Islands. The participants shared the view that China appears to be testing its neighbors' resolve on territorial issues from the East China Sea to the South China Sea and along the Sino-Indian border. The American participants reiterated that there is a bipartisan consensus that the U.S.-Japan Security Treaty does apply to the Senkakus, which the Japanese participants welcomed. Participants from all three countries agreed that there should be greater dialogue among the United States, Japan and India on these recent developments as well as greater efforts to encourage restraint and transparency on China's part. All the members reaffirmed a common interest in building better relations with China, but agreed that recent developments merit more candid and public expression of expectations towards China from her neighbors.

Participants addressed fiscal constraints with respect to the U.S. defense budget and the potential impact on the size of the U.S. Navy and future capability to maintain a presence in the South China Sea. They also agreed that the United States and Japan must encourage a larger role for the Indian Navy in the South China Sea and keep the sea lanes open in the Western Pacific. All three delegations highlighted their nations' shared interest in the security of the Indian Ocean and expressed the hope that the Japan Self Defense Forces would expand their presence in the Indian Ocean and the Arabian Sea, noting the successful refueling and anti-piracy operations of the SDF and the high confidence that U.S. and Indian naval services have in their Japanese counterparts.

The participants agreed that the United States and India need to take their already unprecedented defense cooperation to the next level, by laying the foundation for solid defense industrial cooperation and accelerating Indian defense modernization. Participants expressed the expectation that U.S.-Japan security cooperation would steadily expand in the areas of ballistic missile defense, cooperation on Air Sea Battle concepts, and expanded joint development, production and cooperative acquisition on equipment. The delegates urged all three countries to make further progress on defense industrial cooperation and discussed the need for further reform of the U.S. defense export regime. Regarding Japan-India defense cooperation, participants pointed to the potential for increasing joint exercises, both bilateral and with the United States, as well as joint development, production and cooperative acquisition of defense equipment in the future. There was broad agreement that both Delhi and Tokyo should accelerate cooperation based on the December 29 Action Plan. The Japanese side briefed the participants about the report on Japan's "Security and Defense Capabilities in a New Era" accepted by the Prime Minister's office on August 27, 2010. There was broad support for the recommendations, particularly with respect to collective defense and revising the "Three Principles" banning arms exports. In the context of discussions about Japan's National Defense Program Guidelines and Mid-Term Defense Plan, both due in December 2010, participants called for increased Japanese defense spending to reflect dynamics in the regional security environment.

Finally, the delegations applauded President Obama's plans to visit India and Japan in November and Prime Minister Singh's visit to Japan in October and urged that those trips be used to

highlight both India's important role in East Asia and Japan's important contributions to South Asia and the Indian Ocean region.

ECONOMIC ISSUES

In parallel with converging security interests, the delegations highlighted the three nations' growing economic ties. Participants noted with satisfaction that annual Japanese investment in India has surpassed US \$3.7 billion, but also expressed the view that Japanese economic relations with India remain well below their full potential.

Participants noted that Japan and India could transform bilateral business relations through greater joint investments in Indian infrastructure (particularly rail, power, roads, waterways, water use and "green cities"). Japanese participants highlighted the enormous potential in India's consumer market, noting that 50 percent of Indian households make over US \$2000 per year and that retail sales and durable goods ownership in India will likely boom in the coming years. The delegations noted the importance of the Delhi-Mumbai corridor as a centerpiece for India-Japan cooperation and also discussed growth potential in India's eastern coastal area where Chennai is a natural center. Japanese support for the new Indian Institute of Technology in Hyderabad, the Indian side hopes, will be a powerful vehicle for human resource development and professional exchanges between the two countries.

At the same time, Japanese business participants expressed concern that the Indian investment environment still poses many difficulties for Japanese private companies, noting that other nations' high levels of investment in India are backed by government schemes that give them a higher tolerance for risk. The Japanese participants briefed the Japanese Government's "New Growth Strategy" and highlighted plans to develop new overseas markets in countries like India through infrastructure deals such as railways and power generation, including nuclear, that combine public financing (such as by the Japan Bank for International Cooperation) and private sector investments. It was agreed that this "New Growth Strategy" could serve as the basis for a concrete action plan between Japan and India when the Japan-India Economic Partnership Agreement is signed during or after Prime Minister Singh's visit to Japan on October 25. Overall, the Indian participants acknowledged a new mindset in Japan about economic cooperation with India and credited the Japanese participants in the dialogue with leading the way.

The participants spent somewhat less time on U.S.-India or U.S.-Japan economic relations, but did highlight the importance of putting forward a concrete agenda for further integration of the U.S. and Japanese economies, noting the Obama administration's new engagement on the Trans Pacific Partnership and Japan's interest in the same framework, as well as the advantages of studying a U.S.-Japan Economic Partnership Agreement.

The participants also presented candid briefs about the challenges facing each of the three economies and discussed various scenarios for restoring economic growth in Japan and the United States and sustaining economic growth in India. In that context, all three delegations welcomed the growing role of the private sector in India, but expressed concern that India's

relatively high rates of growth could breed a complacency in both government and business that would be counterproductive.

The economic discussion concluded with a broad agreement that U.S. priorities should be to focus on job creation and fiscal health; that the Japanese priorities should be to increase domestic demand, execute the “New Growth Strategy” and deal with fiscal problems resulting from pension and social security policies; and that the Indian priorities should be to improve the environment for foreign direct investment and infrastructure and increase the use of renewable energy and eco-friendly products.

GLOBAL AND REGIONAL ARCHITECTURE

The participants agreed international institutions need to be more inclusive and reflect the new distribution of economic power, but they also noted that expanding membership will also pose new challenges to the effectiveness of institutions such as the United Nations Security Council, the G-20, and the East Asia Summit (EAS). The participants agreed that it would be increasingly necessary to undertake parallel efforts to enhance coordination and dialogue among like-minded democracies, if not through new formal institutions then at least informally through caucusing at the G-20 and EAS. Participants agreed that India and Japan should have permanent seats on the United Nations Security Council. The group also noted concerns about the future of the G-20, recognizing that it was a forum established in response to a crisis rather than to shape the international economic order.

The participants agreed that East Asian regional security architecture will continue to rest largely on the “hubs and spokes” of U.S. alliances, but further multilateral cooperation including institutional mechanisms such as the Association of Southeast Asian Nations (ASEAN) can complement rather than compete with those alliances. Participants applauded U.S. membership in the EAS and active participation in the ASEAN Regional Forum (ARF) but also noted the need for a clear U.S. vision on trade and values when President Obama travels to the region in November.

Participants identified a common interest in energizing international institutions to focus more on water resources in order to avoid dangerous competition in regions such as the Mekong Delta and the Himalayan Plateau, and to establish norms for cooperation that improve state-to-state relations and human security. Cyber-freedom was also introduced as a promising area for trilateral cooperation in which the United States, Japan and India can demonstrate the requisite technological leadership to shape rules for the cyber commons. It was agreed that cooperation on cyberspace and outer space would be useful agenda items for the subsequent meeting.

ENERGY AND CLIMATE

Regarding the post-Kyoto framework the delegations agreed that a new framework should be fairer and more effective and one that major countries accept without exception. The participants also noted that the pledge-and-review approach, the bilateral credit mechanism, and a mechanism for the transfer and dissemination of low-carbon technologies and products are desirable. With regard to smart grid, the Japanese side noted it would only work when carefully

adapted to local demands based on thorough cost-benefit analyses. While recent development plans for nuclear power, particularly in developing countries, bear growing importance both for energy security and the prevention of global warming, the delegations noted it would succeed only when accompanied by efforts on the standardization of regulations and rules, the development of operation/maintenance systems, and the skill sets of the workforce involved, not to mention safeguard mechanisms against proliferation. The Japanese side expressed hope that India-Japan-U.S. cooperation will effect further cooperation on this front. The participants also stressed the need to accelerate the ratification and signing of the bilateral nuclear cooperation agreements between India and the United States and Japan and India, respectively. The American and Japanese delegations expressed concern that new liability laws in India could become obstacles to peaceful nuclear cooperation and the Indian delegation explained that the rules will be equally challenging for foreign and Indian firms alike, expressing the desire to ensure that any obstacles are cleared away in the implementation phase.

NEXT STEPS

The three delegations agreed to conduct the next session of the U.S.-Japan-India Strategic Dialogue in 2011 in Washington, D.C.