

**U.S.-Japan-India Track Two Strategic Dialogue
May 17-19, 2013
Tokyo, Japan**

SUMMARY OF DISCUSSION

Delegations from the United States, India and Japan met for the tenth U.S.-Japan-India Track Two Strategic Dialogue in Tokyo on May 17-19, one week before the important summit between Prime Minister Manmohan Singh and Prime Minister Abe in Tokyo. The session was organized by the Center for Strategic and International Studies (CSIS), the Japan Institute of International Affairs (JIIA), Aspen Institute India, and the Confederation of Indian Industry (CII) and co-chaired by CSIS President, CEO and Pritzker Chair John J. Hamre and former Deputy Secretary of State Richard Armitage, former CII Chief Mentor and Aspen Institute India Founding Trustee Tarun Das, and Yoshiyuki Kasai, Chairman of the Central Japan Railway Company. The delegates met with Prime Minister Shinzo Abe, Chief Cabinet Secretary Yoshihide Suga, and other senior government officials responsible for foreign affairs, defense, energy and economic strategy. The delegates also engaged in candid, off-the-record assessments of political, security, economic and energy issues.

Delegates reaffirmed that all three nations share common interests and are well poised to develop a joint vision for a rules-based order and security architecture in Asia. To that end, participants welcomed the Indo-Pacific concept as an economic corridor based on the unobstructed flow of goods in an open and secure maritime domain and the emphasis on peaceful diplomacy to resolve disputes. They pointed to the Indo-Pacific as the guiding strategic framework for the U.S. rebalance to the region and the emergence of an inclusive and integrated economic and security architecture for the Asia Pacific. Delegates also reiterated a common interest in promoting stability and economic progress in Afghanistan and Pakistan; the development of safe and secure energy resources, including nuclear power; countering proliferation challenges, particularly those emanating from North Korea; and continuing support for the adoption of democratic norms internationally. The delegations agreed that economic strength in all three countries is critical to sustained leadership in the international system.

POLITICAL OVERVIEW

Participants shared perspectives on domestic political developments in each country, representing the views of various political parties. Discussions centered on the impact of domestic politics on economic and foreign policy, improved stability in Japanese politics, prospects for a move forward with economic reform in India, and some concern over current trends in political discourse in the United States. There was broad agreement that there will likely be continued bipartisan support for strengthening all three bilateral relationships and participants welcomed the successful conclusion of the fourth round of official trilateral consultations held recently in Washington to address a broad range of issues affecting the Indo-Pacific region.

ECONOMIC ISSUES

The delegates agreed that robust economic growth in all three countries is critical to stability and prosperity in the Indo-Pacific and the world at large. While recognizing continued risks and uncertainties in the global economy, including slower growth and rapid credit expansion in China, delegates expressed greater optimism about the prospects for growth than they had at any trilateral since 2009. Delegates welcomed the three-pronged economic policy of the Abe government centered on fiscal stimulus, monetary easing to combat deflation, and structural reform and were further encouraged by Prime Minister Abe's commitment to publish a

comprehensive strategy for sustainable growth to be announced in June. The tension between deficit spending and fiscal consolidation was introduced as a challenge for policymakers going forward but delegates were optimistic about the prospects for higher growth and the importance of foreign direct investment in that context.

U.S. participants noted positive developments in the U.S. economy such as increased residential investment, a reduction in the fiscal deficit, and a decrease in the unemployment rate. Despite these gains, the threat of sequestration and the failure to reach agreements on spending including entitlement reform introduce a degree of uncertainty in the midterm fiscal outlook and prospects for growth.

Indian participants noted that growth is projected to exceed six percent this year after a slowdown in annual growth since the global financial crisis. Challenges include a deficit of power, infrastructure (roads, railways, and telecommunication), and regulatory reform. All three delegations stressed the importance of investment at the beginning of an upward trajectory for the Indian economy and agreed that any uncertainty about upcoming elections in India could be more than offset by the remarkable growth in Indian states.

Participants noted progress in Japan-India economic cooperation including infrastructure development (including high-speed rail in high density segments like Patna-Nalanada Gaya, automobile manufacturing and information technology) and urged the Indian government to renew its focus on the Delhi-Mumbai Industrial Corridor (DMIC) as a strategic area of cooperation with Japan and magnet for further investment and economic cooperation. Delegates also focused on the prospects for trilateral economic cooperation in areas such as defense, space and agricultural productivity in India and agreed that education and health care also offered interesting opportunities.

Participants recognized the importance of the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP) trade negotiations and the need for the United States, Japan and India to coordinate on the broad principles for regional economic integration and to promote transparency in the development of economic architecture. Indian participants stressed the need to accommodate India in Asia Pacific architecture by bringing it into APEC. Delegates noted that Japan's participation in TPP will transform the talks into the most significant trade liberalization process underway today and also highlighted the importance of Japan as a link between TPP and RCEP. Participants also stressed the need for trilateral coordination on the G20 agenda, which has drifted in recent years.

ENERGY COOPERATION

The three delegations agreed to encourage the global trade of natural gas, a more normalized price structure for natural gas, and U.S. engagement with India and Japan on LNG exports.

Participants encouraged the restart of nuclear power plants in Japan while recognizing the Abe government's necessary sensitivity to domestic politics. Japan's recent nuclear infrastructure agreements with the United Arab Emirates and Turkey were cited as examples of a sustained leadership role in the international market for nuclear energy.

There was consensus on the need to examine cyber security threats against energy grids and defenses.

Delegates urged the governments of India and Japan to resume negotiations over the bilateral civil nuclear cooperation agreement and stressed the importance of the agreement to all three countries.

SECURITY AND FOREIGN AFFAIRS

The delegates welcomed the establishment and sustained commitment by all three governments to the official U.S.-Japan-India trilateral dialogue and appreciated the efforts of officials involved and the opportunity to exchange views between the official and unofficial dialogues.

Japanese participants reviewed the security policies of the Abe administration including increased defense spending, a review of defense policy and budgeting to further refine strategic priorities in the maritime domain, and the potential to reinterpret the constitution to exercise the right of collective self-defense and thereby enhance coordination and interoperability with allies and partners. There was particular emphasis on the importance of protecting international sea lanes for international trade and energy security, including the Arctic Ocean. The Abe government's security policies were enthusiastically endorsed by the U.S. and Indian delegations.

The delegations noted the advances in bilateral U.S.-India and Japan-India security cooperation and expressed the hope that trilateral naval exercises could be regularized in the future and that Japan might expand defense industrial cooperation with India and the United States based on new changes to the Japanese ban on exports.

Many delegates expressed concern that the U.S. administration, while making progress on bilateral relationships and multilateral community building in Asia, has not developed a sufficient strategic concept for networking like-minded allies and partners to reinforce a more stable equilibrium in the region. There were frequent comments from the Indian and Japanese participants that inconsistent signals on China could lead to debates about the reliability of the U.S. commitment. The delegations expressed the hope for greater official trilateral dialogue about expanded Chinese military activities on land and sea that appear aimed at challenging Indian sovereignty and Japanese administrative control. All three delegations noted that a clear and consistent stance on these territorial issues by all three governments is highly desirable, while reiterating that all three nations look to Beijing to provide the reassurance necessary to allow a stronger focus on areas of cooperation and mutual benefit with Beijing.

Participants reflected on the recent election in Pakistan and agreed on the importance of stability and the potential for greater economic interaction with Pakistan and India-Pakistan ties going forward, but also expressed concerns about increases in Pakistan's nuclear arsenal and longer-term control of its nuclear weapons programs. The three delegations also assessed progress in Afghanistan and addressed the prospect for political stability after the withdrawal of NATO forces in 2014. There was consensus that the United States, Japan and India should play an important role in supporting the future development of Afghanistan.

NEXT STEPS

All three delegations celebrated the bonds of trust and friendship that permeate these exchanges and look forward to convening the eleventh round of the U.S.-Japan-India Track Two Strategic Dialogue at an early date in Japan.