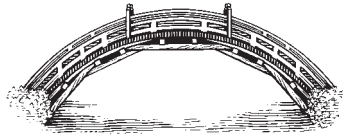


BOOK REVIEWS



Each Book Review is comprised of two parts:

- ≈ *a one-page Executive Summary of the book, drafted by the book's author or editor*
- ≈ *a review of the book written by an expert in the field*

*Democracy Is a Good Thing: Essays on Politics, Society,
and Culture in Contemporary China*

Yu Keping

Washington, D.C.: Brookings Institution Press, 2009 ≈ 240 pp.

AUTHOR'S EXECUTIVE SUMMARY

This book compiles a series of translated writings by Yu Keping regarding the feasibility of democracy in modern China.

MAIN ARGUMENT

Thirty years after instituting policies of economic reform and opening to the outside world, China is now witnessing discussion about political reforms among Chinese scholars and in the official media. The desire for civil expression is not a recent phenomenon but can be traced back over a century. Accordingly, Chinese citizens should learn the lessons of failed revolutions in pursuit of democracy. China will most likely experience incremental rather than immediate democracy, in which gradual reforms are implemented over time and civil society continues to grow. Initial developments such as intraparty elections, grass-roots elections, and legal reforms will help make the political climate in China receptive at some point in the future to a democratic breakthrough.

POLICY IMPLICATIONS

- In order to be persuaded to adopt democratic reforms, leaders must be convinced that both the price they will bear from the process of democratization and the price to society are minimal. Similarly, if Chinese leaders can re-conceptualize political stability as dynamic rather than static, they will be much more likely to choose negotiation with citizens over repression.
- Tensions will persist internally as China tries to reconcile its drive for modernization and its position in global leadership with social and environmental costs and the need to preserve national identity.
- The type of democracy that develops in China will look different from U.S. or Western definitions and will need to be consistent with Chinese identity and outlook. Democracy in other countries—such as Mexico, Australia, and Japan—has similarly developed along different lines according to local conditions.

Democracy Is a Good Thing, But...

Tun-jen Cheng

A review of Yu's *Democracy Is a Good Thing*

In the early winter of 2006, when the Chinese political elites were engrossed in viewing the China Central Television (CCTV) series on the rise of great powers (*daguo jueqi*), the *Beijing Daily* uncharacteristically featured an aphoristic essay by Yu Keping entitled “Democracy Is a Good Thing.”¹ Creating a big splash in intellectual, academic, and perhaps policy circles in China, Yu’s essay—now probably as renowned in China as Francis Fukuyama’s “The End of History?”—raises a glimmer of hope that a path to democratic change in China has been found and that the debate on political reform can now be concluded. This essay has attracted so much attention that the Brookings Institution’s Thornton China Center set forth to collect Yu Keping’s writings into a book inaugurating its Chinese Thinkers series.

Yu’s writings and comments have been meticulously combed in the past few years, probably for a couple of reasons. First, as a Beida PhD and a leading figure in the party state’s brain trust, Yu may provide a clue to democratic reform that China might be contemplating during Hu Jintao’s reign. The Sixteenth Party Congress in 2002 highlighted “intraparty democracy.” The Seventeenth Party Congress in 2007 underscored “people’s democracy,” a notion that seems to be bigger and more promising than intraparty democracy in terms of scope. The train of thought in Yu’s writings may help us to decode the lofty but often vague concepts and projects that the party state claims to have embraced. Yu is situated at the intersection of epistemic and policy communities, so his writings may well be a gold mine for what James Scott would call “hidden script.”

Second, as a counterpoint to the view of Pan Wei and others who have espoused legal reform or economic development at the expense of democratic reform, Yu’s insistence on the necessity for China to continue democratic reform put a brake on the newly reignited drive toward political neoconservatism. In his most recent commentary, printed in the September 7, 2009, edition of *China’s Business Week*, Yu blatantly repudiated Pan Wei’s

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¹ “Minzu xi hao-dong-xi” [Democracy Is a Good Thing], *Beijing Ribao* [Beijing Today], December 28, 2006.

view and contended that democracy and legality are twins. In this interview, he also castigated a popular view that the enhancement of quality of life takes precedence over the pursuit of democracy, instead asserting that people's livelihood and democracy are the two wings of a soaring People's Republic.² Democracy is not just a good-sounding word, a manifestation of modernity, and a universal value; democracy is essential to preventing dictatorship (the negative results of which were so painfully felt by the Chinese people during the Great Leap Forward and the Great Proletarian Cultural Revolution) and to fostering further economic development. Yu's advocacy for democracy has a very strong Churchill bent: democracy is imperfect and cannot be expected to solve all problems, but it is unquestionably better than non-democracy.

So how does Yu conceptualize democracy and how does he prescribe democratic reform? Yu's ontological view of democracy can be summed up in four propositions: "officials must be elected by the citizens," "officials' powers can be curtailed by the citizens," "democracy guarantees human rights," and "power must be balanced and checked." Adding up these four elements, we might indeed imagine a framework of competitive, multiparty, liberal democracy with a Montesquieu-like, tripartite power-balancing system. Yu is not averse to this system that has been practiced in Western developed countries (see p. 31), but he readily admits that the Chinese Communist Party (CCP) has refused to adopt such a system in the foreseeable future. Therefore, what should be done now is to find an institutional expression of democratic ideals that will be politically feasible and palatable to the CCP. If the CCP party state is not willing to entertain nationwide multiparty competition, turn the National People's Congress and the People's Political Consultative Council into two chambers of a national legislature, or abdicate control over the judiciary, then at present intraparty democracy and grass-roots democracy must be vigorously promoted, and some innovative checks and balances must be crafted. After all, Yu contends, though the democratic idea is good and universal, the form or institutional configuration should not be standardized. China can and should learn from the West but should also bear in mind its national condition (*guo-qing*).³ Checks and balances could be instituted, for example, not among three branches of the government but among personnel, administrative, and financial authorities;

² "Minzu he minsheng si ren-min gongheguo teng-fei de nian-yi" [Democracy and People's Livelihood Are the Two Wings of a Soaring People's Republic], *Zhong-guo shan-yeh zhou-kan* [China's Business Week], September 7, 2009.

³ This is akin to his position on the age-old debate between the advocates of Westernization and the defenders of Chinese nativeness (see pp. 105–12).

among the party, the media, and civil social organizations; or even among groups within the party.⁴

It is over the question of what should be done that readers are puzzled. On the one hand, Yu contends that democratic enhancement in China should be a bottom-up process (p. 28) and an inside-out process (p. 29), implying that grass-roots democracy and intraparty democracy are only a prelude to something big in the future (perhaps including even a full-blown national competitive multiparty election). On the other hand, he holds that political power can be held accountable if “the interests and capabilities of the people, the party and the media” can be leveraged to oversee the exercise of power. Hence, grass-roots democracy, intraparty competition, media oversight (on which Yu has never elaborated), and the involvement of civil society organizations (which he has meticulously catalogued and analyzed in chapters 5–6, especially p. 78) in policy deliberation, policymaking, and policy implementation might well be a substitute for a national, competitive, multiparty, liberal democratic system.

Thus, Yu seems to be equivocating and hedging. He emphatically states that democratic reform is an incremental process. Grass-roots elections are only a start, and direct election can certainly be practiced beyond the village level. Indeed, Premier Wen Jiabao has envisioned direct elections at the township, county, and provincial levels, without suggesting any timetable for the expansion. Intergroup competition within a single party, as Giovanni Sartori has argued, can never be a functional equivalent of interparty competition.⁵ Indeed, as Yu knows all too well, intraparty competitive democracy is easier said than practiced, given the CCP’s long tradition of not legitimizing the formation of two competing views and leadership groups (*yige zhengdang, liangge hexin*). Other players in the mechanism of checks and balances, especially the media and civil social organizations, will need to be empowered to monitor and restrain state power and to help prepare the people to exercise their rights vis-à-vis the party state.

However, while Yu argues that democratic reform is an incremental process that presumably can lead to something big, he also attacks other cardinal principles of change. Democracy is a good thing, but it should not be too costly, otherwise it will be rejected by elites of the party state who have vested interests. Democracy is a good thing, but it should not be

⁴ Yu discounts the value of using federalism or local self-governance to limit the power of central government (see chap. 12).

⁵ Giovanni Sartori, *Parties and Party Systems* (Cambridge: Cambridge University Press, 1976), 48–49.

destabilizing, that is, democratic reform should follow a script acceptable to most players and not result in dislodging the CCP from power. Democracy is a good thing, but it should adapt to national conditions.

To conclude, Yu has categorically affirmed that democracy is a good thing and is something that China should have, but he also has invented four cardinal principles for democratic reform: such reform (1) should be incremental, (2) should not be costly, (3) should not be destabilizing, and (4) should be in line with national conditions. Thus, Yu is quintessentially a thinker in the realm of what is feasible rather than what is desirable. He is ideologically removed from Pan Wei and other neoconservatives, but he is also quite far apart from political liberals, such as the late Lee Shenzhi and perhaps the late premier Zhao Ziyang. As shown in his newly published memoir, Zhao was probably the only People's Republic of China (PRC) leader and thinker who explicitly urged the PRC to adopt parliamentary democracy and to examine newly democratized polities such as South Korea and Taiwan. To quote from Zhao's book, *Prisoner of the State*, "the newly emerging nations with their fast-paced development have...converge[d] on a parliamentary democratic system....Taiwan and South Korea...have had positive experiences that we would benefit from studying."⁶ In contrast, throughout his writings Yu never makes reference to democracy in South Korea and Taiwan.⁷ ◆

⁶ Zhao Ziyang, *Prisoner of the State: the Secret Journal of Zhao Ziyang*, ed. Bao Pu, Renee Chiang, and Adi Ignatius (New York: Simon & Schuster, 2009), 270–71.

⁷ Yu does, in passing, dwell on Taiwan scholars' view of civil society (p. 38) and on the influence of traditional Chinese culture on economic modernization in Taiwan, South Korea, Singapore, and Hong Kong (p. 116).



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*China 2020:
How Western Business Can—and Should—Influence
Social and Political Change in the Coming Decade*

Michael A. Santoro

Ithaca: Cornell University Press, 2009 ≈ 162 pages

AUTHOR'S EXECUTIVE SUMMARY

This book explores the effect of economic reform and prosperity on political reform and offers ways companies can operate with moral integrity in China.

MAIN ARGUMENT

China will follow one of two widely divergent paths in the coming decade: either continue to progress steadily toward greater prosperity, democracy, and respect for human rights or fall backward economically into an ever more authoritarian regime. China's future will primarily be shaped by the decisions of the Communist Party and the actions of courageous Chinese citizens.

The book argues, however, that Western businesses can—and should—influence these developments. Moral integrity (or lack of it) by Western business will have a profound impact on whether economic privatization and growth will usher in greater democracy and respect for human rights. The book considers the moral and practical aspects of the activities of multinational corporations in four areas—worker rights, product safety, Internet freedom, and the rule of law.

POLICY IMPLICATIONS

- The current symbiotic policy whereby Western nations and business people try to secure their interests through unquestioning engagement with the Chinese Communist Party is neither culturally sensitive nor wise. In fact, this policy is cynical, self-defeating, and even dangerous because it fails to take into account the very real possibility that China might devolve into an unstable, authoritarian regime where nationalist hostility is directed to foreigners and especially Westerners.
- To avoid this dangerous scenario, and to increase the likelihood of prosperous economic relations and peaceful interaction with China, Western business and political leaders should promote the rule of law and respect for economic and political rights, product safety, and Internet freedom.
- Product safety and Internet censorship should be given more prominence in the West's trade relationship with China.

China 2020: A Call for Minor Reform, Not Radical Change

Scott Kennedy

A review of Santoro's *China 2020*

Michael Santoro bills *China 2020* as a clarion call to U.S. and European multinational companies (MNC) to more explicitly foster a just and democratic political system as they pursue profits in China. In reality, this siren sound amounts to little more than a polite honk of the horn.

The mere existence of this work is a challenge to Santoro's first book, *Profits and Principles: Global Capitalism and Human Rights in China* (2000), which argues that simply by engaging in their standard business practices, such as fair treatment of employees, MNCs were inherently a force for positive political change. Having found that China is still not a democracy and is unlikely to become one soon, and that MNCs are not always models of good behavior, Santoro adopts the posture of a schoolmaster, lecturing companies on how to be true to their better selves.

To his credit, Santoro holds a light up to the embarrassing and irresponsible activities that MNCs have practiced in order to shave costs and stay in the good graces of Beijing and local authorities. Most enlightening is the discussion of the inadequate policing of poor working conditions among Chinese subcontractors and the failure to ensure safe and consistently quality products from local chemical and pharmaceutical companies up the supply chain. Yet as the story turns toward resolving such dilemmas, the argument quickly loses its original force.

The most significant problem is that many MNCs are already practicing what Santoro's book preaches. The chapter on sweatshops finds that corporate social responsibility initiatives, which MNCs have adopted in response to pressure from NGOs, have already achieved "some marginal improvements for workers on a significant scale" (p. 33) and that the All-China Federation of Trade Unions is showing signs of becoming a genuine advocate for workers. The chapter on drug safety notes positively that at least some Western pharmaceutical firms have begun conducting detailed audits of their domestic suppliers. After caving into the authorities' demands over self-censorship and disclosing some user identities, Santoro praises Western Internet firms for forming the Global Network Initiative and adopting

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a voluntary code of conduct, which should give them greater ability to resist authorities' demands and be more consistent advocates of Internet freedom. The chapter on rule of law praises MNCs for being willing to sue Chinese companies and individuals in domestic courts and for promoting transparency by actively participating in the policy process.

Surprisingly, Santoro does not pressure MNCs to do much more. He could have advised companies to take a much harder line, but he does not. Although he notes efforts to establish independent unions, he does not make this his own cause but instead advises "cautious and critical engagement" of the existing system. The author does not counsel Internet companies to violate Chinese law in the name of Internet freedom, nor does he encourage them to divest from the Chinese market in name of avoiding ethical compromises. Although warmly citing the example of businessman John Kamm, who has been presenting lists of political prisoners to Chinese judicial authorities for almost two decades, Santoro does not advise MNCs to imitate Kamm's example and openly lend support to dissidents; nor does he push them to call for a reversal of the June 4th verdict (which justifies the use of force in 1989), freedom of the press, or elections for national leaders. Santoro is far from the radical he claims to be.

The one area where the book clearly suggests firms go beyond current behavior—encouraging MNCs to sue Chinese government agencies via the Administrative Litigation Law (ALL)—is not persuasively defended. The author quotes experienced lawyers who suggest that using the ALL would be a waste of time and could harm companies' interests without citing any specialists who counsel otherwise. Santoro's case would have been stronger had he offered examples of how MNCs would be better off were they to pursue cases under the ALL rather than follow alternative paths, such as solving the problem via quiet negotiations, engaging in arbitration, or suing Chinese companies in Chinese and overseas courts.

We should encourage MNCs—and Chinese companies—to be good corporate citizens, create favorable conditions for their employees, provide safe products and services for their customers, fairly defend their business interests through accepted legal proceedings, and make positive contributions to economic policies and laws. Yet as inherently important as these measures are, they do not add up to pushing China to democratize. Companies can only have an effect on the larger political system when they intentionally try to do so. But business rarely is on the front lines challenging the legitimacy of authoritarian regimes; to the contrary, it is often in conflict with progressive political forces in democracies.

The irony is that the suggestions in Santoro's book are more pragmatic than he realizes, such that they are already becoming relatively widespread. We should not, however, misstate their import, lest we be disappointed by what should otherwise be worthy developments. ◆

*Strait Talk: United States–Taiwan Relations and the
Crisis with China*

Nancy Bernkopf Tucker

Cambridge: Harvard University Press, 2009 ≈ 390 pages

AUTHOR'S EXECUTIVE SUMMARY

This book examines the history of mistrust between the U.S. and Taiwan, the damage such mistrust has caused to U.S.-Taiwan relations, and the jeopardy in which it has put both sides for the future.

MAIN ARGUMENT

Taiwan remains both an asset for U.S. national interests in East Asia and a thorn in U.S.-China relations. Mistrust between Washington and Taipei, along with ideology, politics, and security imperatives, is a core component of the often dysfunctional U.S.-Taiwan relationship. Political leaders from both countries have unnecessarily contributed to the mistrust. Sometimes actual policies have jeopardized Washington and Taipei but at other times friction has arisen because of a lack of forewarning, reassurance, or overall diplomatic finesse. Although the election of Ma Ying-jeou in Taiwan provides hope for a more stable relationship, the institutional sources of mistrust on both sides persist—namely, poor information, misinterpreted behavior, unintended consequences, miscommunication, and political manipulation.

POLICY IMPLICATIONS

- Although some level of conflict and turbulence is inevitable, cooperation between Washington and Taipei can be improved through concerted diplomatic efforts.
- Direct interaction among top officials of Taiwan and the U.S. is the only means to promote transparency, enrich insight, and build trust between the two nations.
- Better relations between the U.S. and Taiwan are critical for continuing improvement in cross-strait and U.S.-China relations.
- The U.S. must stabilize the status quo and reinforce strategic ambiguity—that is, the U.S. should honor its commitment to assist Taiwan if the island's relative weakness threatens equity but never to write Taiwan a blank check—in order to bolster Ma's ability to counter domestic obstacles and conduct negotiations.

Chinese Politics as a Source of China's Foreign Policy

Edward Friedman

A review of Tucker's *Strait Talk*

Nancy Bernkopf Tucker has written a magisterial diplomatic history of Taiwan's role in U.S.-China relations, finding that mistrust between Washington and Taipei has kept the United States from playing a more positive role in achieving a peaceful resolution to problems caused by China's threats. Tucker contends that unless the United States and Taiwan learn to understand each other and cooperate, Chinese military action could trigger a larger war. After all, China in 1950, 1958, and 1996 miscalculated the U.S. response to Chinese military initiatives. It could happen again, with a much stronger China not backing down. Tucker ponders how to prevent such an explosive event.

Based on archival documents and key interviews, Tucker covers the politics of diplomacy through the Clinton administration. But Tucker never explores where and what Taiwan is. As with North America, South America, and the Pacific islands, the residents of Taiwan until the start of the seventeenth century were indigenous (in Taiwan's case, Austronesians). Han Chinese did not arrive in large numbers until recruited by Europeans for plantation labor, and Taiwan was not ruled by Han people on the Asian mainland until the end of World War II. Such data clarifies why Taiwan's Creole culture is historically different from that of Han China. Yet the Chinese Communist Party (CCP) claims that Taiwan was always Chinese.

Did U.S. acceptance of CCP myths influence the deals that Nixon and Kissinger struck with Mao and Zhou? Tucker finds that Kissinger "surrendered more than was necessary" (p. 30) and sold out Taiwan to get Mao to help the United States gain "leverage against Moscow and Vietnam" (p. 28). Neither of these goals was realized.

Taiwan's betrayal by Kissinger and Nixon in 1971 was detailed by Jim Mann in *About Face*. Concessions were not required, as a weak Mao needed U.S. help. *Strait Talk* ignores much of such scholarship on Chinese foreign policymaking and on Taiwanese politics. Missing crucial facts, Tucker blames the continuing threat of a China-initiated war first on Washington and then on Taipei, "adept at manipulating" Washington (p. 12). China comes off as

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merely reactive. Indicatively, Tucker claims that the 1954–55 U.S. nuclear “intimidation...led Mao to develop China’s atomic capability” (p. 14). In fact, just before taking Beijing, the CCP sent agents abroad to recruit atomic scientists and buy equipment for building a bomb. With global aspirations, China would not likely require a foreign provocation to impel it to obtain the military wherewithal of a great power.

The source of the threat of war requires clarification. Tucker finds that the 2008 presidential election in Taiwan that brought to power a candidate from the Kuomintang (Chinese Nationalist Party) instead of the Taiwan-identified DPP (Democratic Progressive Party) “diminished the near-term likelihood of war” (p. 2). Beijing contemplated a military action against Taiwan had the DPP continued to hold the presidency in 2008. But that DPP candidate, like his predecessor in 2000–01, was open to confederation and economic integration with China, as Tucker accurately records. Why then was the CCP incapable of responding to peace-prone overtures from Taiwan? Only China contemplates using force. Tucker does not probe the Chinese politics behind “Beijing’s use of force to score political points regarding Taiwan’s status and behavior [which] turned stalemate into [armed] confrontation in the 1990s, as it had in the 1950s” (p. 3).

Taiwan was not key to Mao’s nationalism. He grew up while Taiwan was a Japanese colony similar to Korea. Mao backed the North Korean invasion of South Korea in 1950 rather than conquer Taiwan. That choice changed Taiwan from a bastion of the losing side in a civil war to a government allied with the United States in a Cold War contest with the Sino-Soviet bloc. Mao’s priorities permitted an independent government to survive on Taiwan.

Subsequently, Taiwan dictator Chiang Kai-shek undercut U.S. efforts to give Taiwan a legal international status. When de Gaulle’s France had relations with both Taipei and Beijing in 1964, Chiang ignored U.S. appeals not to break diplomatic ties with France. In 1971, as Australian scholar Bruce Jacobs has shown using Chinese language archives Tucker did not access, when China was about to enter the United Nations, Chiang quashed the effort of his Ministry of Foreign Affairs to work with the United States to save Taiwan a seat in the General Assembly. There was “considerable support” for dual recognition in the UN.

Still buried in the archives is the story of “American plots to replace” dictator Chiang (p. 2). These probably ended around 1958 as part of a deal to get Chiang to stop provocative actions against China. The U.S. record on behalf of both Taiwan and China is not as bad as Tucker contends. National Security Council (NSC) staff person Richard Solomon was correct in 1973

that ultimately a direct dialogue between Beijing and Taipei is the way to institutionalize peace in China-Taiwan relations. Yet Tucker calls the U.S. push for Beijing-Taipei talks another instance of Washington not being sympathetic to Taiwan.

Tucker chastises Kissinger for finding Taiwan of minimal significance to Mao (pp. 36 and 43). But Kissinger was correct. Internal documents from China in the months prior to the Kissinger and Nixon visits show no concern for Taiwan. What mattered to Mao was deterring an attack by a militaristic Brezhnev, who had just sent troops into Czechoslovakia. Even more importantly, however, Mao was concerned with his standing in China after the debacle of his Cultural Revolution and his betrayal by Lin Biao, whom Mao had made his revolutionary successor. Mao was willing to concede a lot to be able to portray his opening to the U.S. as a great achievement for him and for China. In fact, Tucker shows Mao making concessions in 1973, saying that it wouldn't matter if Taiwan were an American protectorate for a century, meaning forever (p. 64). Tucker is right. Nixon need not have made significant concessions to Mao on Taiwan in 1971-72.

Yet the Chinese negotiators continually raised Taiwan as a matter of principle in talks with Washington. This reflects Chinese political dynamics. The CCP regime was, as Frederick Teiwes established, a leader-centered system. Underlings, even the premier, feared contradicting the leader.

But every time the U.S. held firm on Taiwan and the Chinese interlocutor kicked the matter up to Mao or a subsequent leader, the leader conceded. Tucker recounts one such instance in 1972 (p. 58). She seems unaware, however, that it occurred because Zhou took the issue to Mao. When the PRC would not compromise in 1975 (p. 73), it was because Mao was dying and incapable of acting (p. 85). Because Deng needed to normalize relations with the United States before invading Vietnam in 1979, he conceded to Carter on arms sales to Taiwan (p. 104ff). "Deng yielded, unwilling to allow normalization to collapse, particularly since he intended to invade Vietnam as soon as US recognition provided a buffer against Soviet reprisals" (p. 106). Tucker has the facts.

The Chinese people, however, do not. In their view, China is always a victim. Even China's 1996 missile threat to Taiwan is imagined as a response to provocations. But President Jiang's decision to launch missiles off Taiwan's container ports in 1996 led Japan to tighten military ties to the United States and strengthen its commitment to Taiwan. It led the United States to resume military cooperation with Taiwan. It led nations of the

ASEAN to tilt toward the United States to hedge against China, all matters ably described by Tucker.

Why did President Jiang initiate self-wounding missile exercises against Taiwan in 1996? To Tucker, Jiang “had to restore his credibility” to power brokers in China after Taiwan President Lee was granted a visa to visit Cornell, his alma mater, in 1995 (p. 214). Tucker notes that Jiang began China’s missile build-up across from Taiwan because he won a “debate with hardliners” (216). Imagine if the hard-liners had won! Actually, the missiles began being deployed in 1994 because a decision had been made earlier, probably soon after the CCP’s June 4, 1989, massacre of peaceful promoters of democracy. Hard-line power was then deeply entrenched. Tucker correctly describes China’s policy in the 1990s as “the militarization” of cross-strait relations (p. 218). Her magnificent research allows her to be spot-on on almost every particular.

But why should the CCP have prepared to attack Taiwan in the early 1990s? Taiwanese investment was surging into China. Taiwan lobbied the U.S. Congress to end post-June 4 sanctions against China. The Taiwan president rejected most requests for support from Chinese democrats. Lee chose to court the CCP. China’s military initiative was thus not a response to provocations.

If political will in China and Taiwan permit, it is possible to invent a formula to preserve Taiwan’s democratic autonomy by constructing a larger Chinese confederation, so that a peace-prone Chinese compromise does not appear to be unprincipled. China might agree to such a deal because it is a world power. As the PRC moves its military to secure the country’s energy lifelines, Taiwan could stop being the dragon the Chinese military uses to get its budget. Taiwan would then no longer be a key issue for hard-liners.

CCP talk about unalterable principles is a bargaining ploy. Democratic Taiwan, after all, is a small island that in no way threatens China. Meanwhile, as Kissinger correctly saw, the CCP regime has many more significant issues and challenges to confront. A book focused on the Taiwan factor could obscure this larger reality, something the much maligned Kissinger never did. ♦

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*Choose and Focus:
Japanese Business Strategies for the 21st Century*

Ulrike Schaede

Ithaca: Cornell University Press, 2008 ≈ 304 pp.

AUTHOR'S EXECUTIVE SUMMARY

This book explains how 1998–2006 marked a strategic inflection point during which the old ways of Japanese business were undermined, leading to the emergence of new, focused, and lean competitors in Japan.

MAIN ARGUMENT

Political change and legal reform, combined with crisis and the arrival of global competition in Japan, have caused Japanese businesses to realize that their old competitive advantages from quality mass-production no longer guarantee success. Japan's largest firms have refocused by shedding non-core businesses and by repositioning for leadership in targeted technologies. This development is spearheaded in high-margin upstream and midstream components and materials.

POLICY IMPLICATIONS

These changes have undermined what we knew about Japan from the 1980s, regarding banks, business groups, employment, and subcontracting:

- Japanese companies will be able to recover more quickly from the current global economic shock because Japan's new economy features M&As, hostile takeovers, ownership by institutional investors and foreigners, and global parts sourcing, and is driven toward innovation, price competition, and efficiency. The buyout of Lehman Brothers and Morgan Stanley by Japanese banks is a visible sign of an otherwise less obvious reversal.
- U.S. firms have much greater access to Japanese markets because Japan's new, nimble firms rely more heavily on the outsourcing of products and services.
- New leadership in materials and components has made Japanese inputs critical for U.S. firms. Many of the suppliers of these inputs are not household names.
- To understand the new competitive threat to U.S. firms from Japan, one must look beyond end products and reorient one's thinking regarding global competition toward new industries. For example, Japan's new leadership in materials extends to green technologies, ranging from efficient power generation to recycling filter membranes and chemicals. U.S. firms in these industries are facing new competition.

Japanese Business Strategies: Evolution or Revolution?

Michael Smitka

A review of Schaedé's *Choose and Focus*

It is easy to envision a new Japan as I write this while listening to returns of the DPJ's landslide in the August 2009 general election. Of course, as academics we are quick to point out that this is not a revolution but part of a longer evolution; see, for example, T.J. Pempel's 1998 book *Regime Change*. The prime minister's office is much stronger, "national" universities and the post office have been privatized, public works expenditures cut, and agricultural subsidies pared; shifting rural votes highlight those latter two changes. In any case, it will be some time before we know whether the new government will implement new policy—and it will be even longer before we know whether any possible policy shift made a difference. Evolution, not revolution.

We see the same if we look at the rhythm of daily life. Compared to the Japan I first saw in the 1970s, images of which still resonate in the textbook depiction of Japanese society, consumers really do live in a very different country. Their world is suburban and car-oriented, with shopping in discount stores that bring increased variety and lower prices for a wide array of food, clothing, and other everyday goods. Yamada Denki, a suburban chain, is by far the largest consumer electronics retailer in Japan, not the smaller Bic Camera or Yodobashi Camera chains based in metro stations. Service-sector jobs are dominant; part-time work is common, "permanent" employment less so. Young people eat differently, too—for example, bread and then noodles rather than rice.

This readable book by Ulrike Schaedé focuses on behavior in the business world and the financial institutions and providers of business services that support them. Her book, too, makes a strong case that we are already seeing a new Japan. *Choose and Focus* argues that Japanese management has passed through an "inflection point" that demarcates a shift that is both qualitative and quantitative in nature. Now we know that on the surface much has changed in terms of the legal and administrative framework, from bankruptcy law to corporate governance to a reorganization of the bureaucracy (the themes of Steven Vogel's 2006 book

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Japan Remodeled, among others.) Similarly, we know that financial markets have evolved over the last quarter century. During the late 1980s, “bubble” firms got into trouble issuing foreign bonds; more recently housewives have reputedly gambled heavily on the “carry trade” that promised nice returns from the higher interest rates offered in places such as New Zealand. Such financial free-wheeling was once unimaginable, and while the particular level and direction has shifted with macroeconomic conditions, the underlying potential to move beyond domestic banks remains. But does such institutional change matter beyond the narrow realm of finance?

Schaede argues—or, rather, demonstrates—that the impact in fact reaches deep into the corporate sector in a way that is changing the performance of markets and firms, helped along of course by the need to adjust to the capacity overhang that followed the bursting of Japan’s real estate and stock market bubble. After a brief but useful introduction, the second chapter provides an overview of the post-bubble shocks and regulatory responses. Both are familiar to observers of Japan; Schaede is accordingly succinct in her treatment, providing enough anchors to events and legislation to remind us of the chronology without weighing down the story. The thrust is that we ought to no longer observe business as usual. The remainder of the book details that this is in fact the case—that the business world really is different.

To set up her argument she first depicts the status quo *ex ante*, which is the focus of the third chapter on postwar corporate strategy. There and in the following chapter on diversification versus focus, Schaede argues that through the 1980s large firms chose the former rather than the latter. Strong growth, the imperative of lifetime employment, restricted entry, bank finance, and corporate groups all allowed firms to expand the range and not merely the quantity of their activities. Choose they did not. Instead, electronics manufacturers such as Matsushita, Toshiba, and Sony tried to do everything by adding an expanding range of products that turned these companies into vast and ultimately unmanageable empires. That approach was replicated by firms in many other sectors of the economy. Such diversification may have been a “rational strategic response” in the 1960s and 1970s (p. 65), but it no longer works. In the first of many vignettes, Schaede closes the section on “The Old Japan” with the example of how Matsushita shed activities and consolidated multiple brands into today’s focused (and renamed) Panasonic. Ditto Takeda Pharmaceutical, which is no longer “a highly diversified conglomerate” whose operations range from drugs and vitamins to agrochemicals, plastics, and foods but instead is

today the globally successful, narrowly focused pharmaceutical firm that its name implies (p. 83).

The five chapters of the following section, “Japan’s Changing Industrial Architecture,” examine in more detail this realignment toward more focused strategies. Given the conventional treatment of Japanese business, Schaede provides a broad, diversified account, ranging from intercorporate links (*keiretsu* and main banks), ownership structure (including the rise of mergers and acquisitions), subcontracting, and price competition to lifetime employment. In the process, she provides data on the unwinding of corporate groups and stock cross-shareholding, driven in part by bank mergers, the rise of non-bank-based finance, the explosion of mergers and acquisitions (M&A) from under 100 domestic M&A transactions in 1986 to over 2,000 in 2006, and the breakdown of cartels and the rise of retail competition. Not all of her examples represent stark change: while domestic manufacturing has continued to shrink, with greater use of sourcing from outside Japan, changes in subcontracting remain more modest. Similarly, the vast expansion of “non-regular” employment has been more among retailers and firms in the service sector than among the manufacturers on which she concentrates. Finally, among the large, publicly traded firms for which Schaede provides data, employment practices show only an incremental shift to performance-based compensation; age-related pay and lifetime employment remain central. Still, young *sarariman* clearly face an uncertain future and (for now) slower pay increases and trimmed bonuses.

The book’s final section on “New Markets and New Entry” has a distinctly California feel, with one chapter on the growth of venture capital (VC) markets and another a case study of four “new competitors,” three of which are in the broadly defined IT sector. Schaede does make a good case that there is now a functioning VC market, with 175 initial public offerings (IPO) in 2004, 158 in 2005, and 188 in 2006. Lying behind this is a long series of institutional changes, capped by the “big bang” rewriting of the legal framework in finance in 1998 and the subsequent step-by-step relaxation of IPO requirements and the establishment of secondary exchanges—first Mothers and later JASDAQ and Hercules. Supporting infrastructure for such IPO-related new ventures has continued to evolve; the book notes in particular the import of recent revisions of corporate law. The overall market, however, remains modest in size, funding 1.8% of total R&D compared to 15.6% in the United States. Over the eleven years from 1996 to 2006, new finance averaged about 200 billion yen per year and exceeded 300 billion yen only in 2001 and 2006. The market was dominated

by four firms, which accounted for fully half of all investments in 2006, and most of the other players were subsidiaries of banks and other financial institutions. These developments are interesting in part for the role played by METI in enabling this growth. Schaede provides an interesting anecdote on METI's role (p. 204–5), but she is silent on the role of the Ministry of Finance, whose backing was surely required to implement revisions in the Commercial Code and other legislation. The book could also have provided more detail on the types of ventures that received backing. How many are high tech? How many are in retail? How many are closely linked to large firms—that is, in-house ventures being spun off or tied to subcontractors whose business remains dependent on a single customer? Setting forth this broader context would have strengthened the argument of the book because Schaede could have better detailed the “newness” of the VC market. Instead, the venture capital market comes across as an interesting footnote.

Schaede does have the courage of her convictions; the penultimate and last substantive chapter presents case studies of four new competitors. This is gutsy, because high-fliers have a way of coming down to earth (think of the many tarnished exemplars used in Thomas Peters and Robert Waterman's 1982 book *In Search of Excellence*). Her argument, however, is based on several overlapping analytic frameworks, rather than induction from the exemplary firms du jour, as was the case for Peters and Waterman. Given the onset of the global recession subsequent to the completion of *Choose and Focus*, this is a more important test of her thesis than Schaede might have wanted to choose. A quick check on the most current financial data (for the reporting periods ending March 31, 2009) suggests that her four firms, SoftBank (telecommunications and IT), Kakaku.com (an internet pricing service), Astellas (a pharmaceutical firm), and SBI E*Trade Securities continue to be profitable and to grow, acing her unplanned test with flying colors. Furthermore, Schaede does a good job of linking these case studies to her overall argument, tracing how the success of these firms hinged on changes traced earlier in the book. She is also careful, placing each firm in the context of its industry. Though a firm may not be dominant, its success is informative. No one can deny the impact that SoftBank has had in telecommunications, turning the failing Vodafone cell phone subsidiary into a strong competitor that has remade the industry and made profits in the process.

As an academic, I of course had a long list of quibbles and queries by the time I ended the book. Schaede could have spent more time examining retailing, for example. I also think she overlooked the importance of high

growth in and of itself (and hence “growth recessions,” which enabled the survival of underperformers, with all sorts of implications for finance). Addressing such points to my satisfaction would however have required a book rather longer than her 200-odd pages of prose (260 pages, as a bibliographer would count, but sprinkled with lots of pertinent lists, tables, and figures). *Choose and Focus* is furthermore perfectly readable and accessible to someone with only a general knowledge of finance and strategy. Has Japan changed? We’ll see about politics. But as to business, the case that Schaede makes is sensible and compelling. ◆

India and the United States in the 21st Century: Reinventing Partnership

Teresita C. Schaffer

Washington, D.C.: Center for Strategic and International Studies, 2009 ≈ 264pp

AUTHOR'S EXECUTIVE SUMMARY

This book explains how India and the U.S. can derive the greatest benefit from the partnership they have begun developing in the last fifteen years.

MAIN ARGUMENT

The U.S. has emerged as India's most important international ally. Starting in the mid-1990s, the U.S. and India did a remarkable job of adding substance to their rather thin Cold War-era relationship. The bilateral infrastructure for a serious partnership is now largely in place. The two countries have done much less, however, to turn their shared international interests—such as peace and security in the Indian Ocean and East Asia, stability in the Persian Gulf, and the integrity of energy markets—into a common bond. Moreover, they have had a hard time working together multilaterally. Of the four big global issues the Obama administration is focusing on, financial reform offers good opportunities for India-U.S. collaboration, but the other three—trade negotiations, climate change, and nonproliferation—expose policy gaps between the two countries.

POLICY IMPLICATIONS

Both sides need to manage two disconnects: (1) the U.S. is accustomed to subordinate partners, whereas India's traditional posture is nonalignment; and (2) India is looking for benefits bilaterally and in global status while the U.S. seeks help in solving global problems.

The two states will not create a formal alliance but can build a strong partnership by working along the following lines:

- continuing to build the bilateral relationship, especially finishing the civilian nuclear agreement
- including India in Asian and global leadership organizations
- starting systematic, candid, and discreet consultations on major global issues to clarify where the two sides agree and disagree

Finding the U.S.-India Sweet Spot

Robert M. Hathaway

A review of Schaffer's *India and the United States in the 21st Century*

As unlikely as it might seem to his American detractors, George W. Bush was wildly popular in India up to the very end of his presidency. When Bush left office in early 2009, U.S.-India relations were probably stronger than at any previous time in history; historians are likely to judge the dramatic improvement in ties between Washington and New Delhi as one of Bush's most significant accomplishments. Partly because of his wholesale repudiation of President Bush and his policies during the 2008 presidential campaign, Barack Obama's election occasioned considerable uneasiness in India.

These anxieties, though perhaps understandable, were misplaced. Like his Republican predecessor, President Obama is keen to make cordial ties with India a cornerstone of his foreign policy. Obama's secretary of state, Hillary Clinton, has spoken of taking the bilateral relationship to the next level—what she calls “U.S.-India 3.0.”¹ In July 2009, in the midst of a highly successful trip to India, she delivered a presidential invitation to Prime Minister Manmohan Singh to pay a state visit to Washington in November, the first such invitation the Obama administration has extended.

This splendid new book by Teresita C. Schaffer examines where the bilateral relationship between India and the United States stands today and asks what is needed to take relations to Clinton's 3.0 level. Schaffer's study is more forward-looking than historical, although the author, a retired U.S. ambassador whose diplomatic career focused largely on the subcontinent, rightly recognizes how far bilateral ties have come in the past fifteen years. (Indeed, as recently as 1998, the United States slapped far-ranging sanctions on India for its nuclear tests.) She sets forth a thoughtful policy agenda for the two governments that seeks to maximize the potential in the emerging partnership.

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¹ Hillary Rodham Clinton, “Remarks at U.S.-India Business Council's 34th Anniversary ‘Synergies Summit,’” U.S. Department of State, June 17, 2009 ~ <http://www.state.gov/secretary/rm/2009a/06/125033.htm>.

Schaffer finds that the bilateral foundations for a genuine partnership—rising investment and trade, regular government-to-government consultations, educational and scientific exchanges—are now largely in place. But the two countries still have a difficult time working together on broader regional and global issues such as trade and energy. “Common international interests create the potential for a strategic connection,” Schaffer writes. However, the United States and India have compiled only an “uneven” record on issues that extend beyond bilateral (p. 208). The two states “often work at cross-purposes” in South Asia (p. 134). Nor have they developed a common vision yet on how to address what Schaffer calls “global mega-problems” (p. 214). For the partnership to flourish, she judges, the regional and global dimensions of bilateral ties will need to expand.

This book is about much more than U.S.-India relations, or Indian foreign policy. Schaffer rightly recognizes that foreign policy can no longer be thought of merely as a matter for diplomats. In addition to government-to-government ties, she emphasizes the private relationships—trade, investment, education, scientific, and immigration—that bind the two countries, and which distinguish this relationship from the Cold War partnership India enjoyed with the Soviet Union, which functioned almost entirely on the official level. It was not mere happenstance that led Hillary Clinton to begin her July visit not in New Delhi, the seat of the government, but in Mumbai, India’s economic and financial capital.

Building and sustaining a partnership is a delicate business. India, for all its interest in close relations with the United States, remains deeply ambivalent about becoming too closely entangled with the world’s most powerful nation. Members of India’s “strategic elite” place a high premium on maintaining the country’s “strategic autonomy,” which might be viewed as a 21st-century version of India’s earlier devotion to nonalignment. Common interests, Schaffer believes, will push New Delhi toward cooperating with the United States, but its commitment to strategic autonomy “will incline India to look for opportunities to balance the world power structure even as it works closely” with Washington (p. 211).

The two countries also have rather different agendas for their partnership. India values its ties with the United States primarily for benefits in the bilateral realm, such as greater access to U.S. technology and defense items. New Delhi also hopes for U.S. support for a larger Indian role in international organizations such as the UN Security Council or an expanded group of eight (G-8). The United States, on the other hand, sees close ties

with India, while valuable in themselves, as important for addressing broad global problems such as climate change and nonproliferation.

Regardless of the closeness of the relationship, the two nations will continue to disagree over Pakistan; Washington's embrace of Pakistan as an essential partner in the struggle against Islamic extremism prompts severe heartburn in New Delhi. Nor will the two agree on Iran, which carries as large an emotional and symbolic significance for Indians as it does for Americans. Public defiance of U.S. wishes on Iran allows Indian politicians to demonstrate their willingness to stand up to the U.S. hegemon and also plays well with India's large Muslim population. Americans sometimes err by allowing themselves to believe that only their country has to consider domestic politics when fashioning foreign policy.

Schaffer astutely explores the big problem areas for the relationship, including global trade, climate change, and nonproliferation. All are priorities for the Obama administration. All find Washington and New Delhi holding dramatically differing perspectives. Each mixes economics, security, and domestic politics, and offers opportunities for moral posturing. From the U.S. perspective, it will be impossible to address any of these global challenges without a fully engaged and reasonably cooperative India. The key question for Obama, and for bilateral ties, is whether New Delhi will play a spoiler role.

With the global community focused on negotiating a successor to the Kyoto Protocol, and with the U.S. Congress moving toward the adoption of legislation that would impose tariffs on countries that do not pledge cuts in greenhouse gas emissions, climate change poses a particularly tricky challenge to bilateral ties. Washington argues that developing countries with large carbon-emitting economies, such as China and India, should cut back their carbon emissions now. India correctly notes that its per capita carbon output is only a fraction of the output of the United States, and that the country has generated only a minuscule proportion of the current atmospheric poison. Indians, New Delhi insists, have the same right to get rich that Americans have enjoyed and should not be forced to forgo economic development to pay for the environmental damage caused by wealthier countries. Now that the United States has an administration truly serious about combating climate change, Schaffer warns that "the stage is set for a high-octane disagreement between the two governments" (p. 198).

Nonproliferation issues will also present problems. Obama, more than any of his predecessors since Ronald Reagan, has embraced the goal of eventually abolishing nuclear weapons—the so-called zero option. On

the one hand, this would seem to dovetail nicely with India's long-standing demand that all the world's powers move quickly to zero. On the other hand, India's strategic elite is skeptical of Washington's ability, or intent, to move seriously in that direction and worries that the zero option would be used to compel countries like India, with modest nuclear arsenals, to forgo increasing their numbers or enhancing their capabilities.

Discussion of nonproliferation matters is closely linked to the civil nuclear agreement that Bush and Singh announced in 2005. Obama has repeatedly pledged to abide by the terms of this agreement, but implementation of the accord awaits the completion of what are likely to be difficult negotiations on such issues as an Indian liability regime and the conditions governing the sale of reprocessing and enrichment technology. Moreover, vague language in the agreement—combined with potentially contradictory pledges made to the U.S. Congress, the Indian parliament, and the interested publics in both countries—suggests that the two governments will not necessarily agree as to the precise nature of the commitments into which they have entered. The civil nuclear agreement, hailed as a milestone in the relationship, may instead be a ticking time bomb.

Enthusiasts for this partnership often speak reverently of the natural ties that bind the world's "largest" democracy with its "oldest" or "most powerful" democracy. Schaffer, however, cautions against assuming that a common allegiance to democracy is sufficient to sustain a foreign policy partnership. Differences between the United States and India over Burma, Iran, and Sudan reinforce her argument. Indeed, she warns, the messy business of democratic politics is as likely to complicate the partnership as to solidify it—witness the struggle in both countries to secure a national consensus behind the civil nuclear agreement.

Among the many virtues of this book is the absence of the celebratory, even euphoric, tone that often characterizes writing on U.S.-India relations. Schaffer, while clearly supportive of the new warmth in the relationship, offers a more hard-headed look at bilateral ties—itsself a sign of the new maturity in the relationship. She has also crammed her book chock full of revealing statistical data. Who knew that the Tata Group, one of India's largest conglomerates, employs 16,000 American workers in 80 locations across the United States? Yet another strength of this volume is how little it relies on newspaper accounts. Schaffer has done her own research and cites her sources.

Beyond the specific challenges confronting U.S.-India relations, Schaffer warns of an "expectations gap," which she labels "perhaps the

most fundamental challenge” to the creation of a genuine partnership between the two countries (p. 219). The Obama administration may demand more from India on Washington’s priority issues of global warming and nonproliferation than New Delhi will be prepared to deliver. For its part, India expects to be treated as “a giant, diverse country...whose ancient civilization and emerging power entitle it to a relationship of equals with the world’s most powerful nations” (p. 219). Self-absorbed Americans, conscious of their country’s immense power and its daunting problems, have not always found it easy to accord other countries such deferential respect. Schaffer remains guardedly optimistic, however. Common interests and extensive public and private linkages, she concludes, will “help this sometimes prickly partnership find its sweet spot” (p. 225). ◆

*Challenge and Strategy:
Rethinking India's Foreign Policy*

Rajiv Sikri

Newbury Park: Sage Publications, 2009 ≈ 336 pages

AUTHOR'S EXECUTIVE SUMMARY

Based on an examination of India's current and looming foreign policy challenges, this book suggests a reappraisal of India's foreign policy approach.

MAIN ARGUMENT

As an aspiring major global player, India must follow a flexible and independent foreign policy, maintain its strategic autonomy, and work with other rising powers. Asia should be the principal focus of India's diplomacy. Above all, India needs a change of mind-set among its leaders and its people. If India aspires to become a great power, it will have to behave like one. Piggybacking strategies or short cuts will not work. India must have a clear grand design—based on an objective evaluation of the country's resources and comparative advantages—and must work purposefully to build the required institutional structures and public support to sustain its ambitions.

POLICY IMPLICATIONS

- At the global level, even as it builds closer relations with the U.S., India must not downgrade its traditional strategic partnership with Russia and must remain vigilant about security threats from China.
- The highest priority for India should be to ensure harmonious and cooperative relations with its immediate neighbors in South Asia, who should be given a stake in India's growth and prosperity.
- In its wider strategic neighborhood, India should intensify its interaction with the countries of East and Southeast Asia while continuing to play a central role in efforts to build an Asian community; be more proactive in the Gulf region, especially on security issues; try to become an equal player in the evolving new Great Game in Central Asia, including Afghanistan; and give special attention to building a blue water navy that would strengthen India's presence in the Indian Ocean.

India's Diplomacy: Many Challenges but Where's the Strategy?

David J. Karl

A review of Sikri's *Challenge and Strategy*

If one of the measures of a rising global power is the number of publications devoted to its strategic prospects, then there is no denying that India has moved to the world's front ranks. What distinguishes Rajiv Sikri's new volume, *Challenge and Strategy: Rethinking India's Foreign Policy*, from the ongoing proliferation of books about India's ascendance is that the author is a former high-ranking denizen of South Block, the massive British-era edifice in New Delhi that houses important government offices, including the Ministry of External Affairs. Having served a four-decade-long career in the Indian Foreign Service, Sikri retired in late 2006 after being superseded for foreign secretary, the senior-most foreign service post. His book thus offers a reflection on the concerns that grip the upper reaches of the Indian foreign policy bureaucracy as well as a glimpse into the debates that take place in the closed councils of New Delhi.

At the start, Sikri informs the reader that the book is intended neither as an academic text nor a diplomatic memoir filled with colorful vignettes but rather is written with the aim of stimulating informed public debate on India's foreign policy. The author also promises to eschew offering definitive solutions. Although policy advice is dispensed throughout the book on diverse issues, Sikri is sparse in offering a guiding philosophy for India's growing role on the world stage. Only toward the end of the book do some fundamental themes emerge, and even then they are only cursorily developed. Rather, much of the volume constitutes a rather prosaic assessment of India's diplomatic and security agenda, presented largely as discrete topic points. How Sikri's individual observations fit together is left unexplained. The absence of a syncretic lens gives the overall discussion a disjointed texture, vitiating whatever imprint the author hoped to leave on the public debate.

The first third of the book comprises an examination of India's relations with the adjoining states of South Asia. At a time when policy elites in New Delhi are increasingly focused on extraregional ambitions, the author notably urges a change of approach in the home region. New Delhi,

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he advises, must take bold, large-hearted measures to prove that India is a true regional leader rather than the neighborhood bully, as the country is often perceived. Sikri urges India to spread the benefits of its growing prosperity throughout the area, by such acts as granting unilateral trade concessions and maximizing economic cooperation. But the pursuit of policy innovation and magnanimity ends at the festering sore of Kashmir, with Sikri dismissing the intriguing yet ultimately abortive back-channel negotiations that former Pakistani president Pervez Musharraf and Indian Prime Minister Manmohan Singh conducted for several years on the issue. Here the advice is to hunker down and maintain the status quo, especially given that the author contends traditional public hostility in Pakistan toward India is showing signs of ebbing. Until this change of attitude can take full root, India can always threaten to reduce the flow of waters from the Indus River into Pakistan—a move many see as a *casus belli* but which Sikri believes would have a deterrent effect in Islamabad by turning powerful land-owning interests against the military establishment.

By far the most interesting though unsatisfying chapters lie toward the book's end, where Sikri takes up the topics of India's overall strategic agenda and the bilateral relationship that has come about over the past decade with the United States. It is here that the most controversial themes emerge, including the residual wariness of U.S. power that exists among the older generation of Indian elites. The author expresses much doubt over whether a genuine partnership with Washington can ever be fashioned and sharply criticizes Prime Minister Singh for allowing Washington to draw New Delhi into its orbit. In contrast to perceptions widely shared elsewhere, the Bush administration is portrayed as a cunning, adroit foreign policy enterprise, one that succeeded in "hustling a smug and shortsighted Indian ruling elite into a strategic partnership with the U.S. largely on the latter's terms" (p. 195). Sikri warns that the United States is not a benign power and—regardless of the rhetoric in Washington about de-hyphenating India policy from considerations regarding Pakistan—is not above using Islamabad as a "cat's paw" in South Asia. Whereas others view the growing U.S.-India relationship as driven by tacit anti-China motivations, the author muses that one cannot rule out attempts by Washington to forge a global duopoly with Beijing at the expense of India and its erstwhile Russian ally. He thus recommends that New Delhi develop hedging strategies and points of leverage vis-à-vis Washington, including restrictions on the purchase of U.S. military equipment, diversifying foreign exchange holdings away

from the dollar, and discouraging the flow of Indian skilled labor to U.S.-based companies.

All of these strains were articulated in last year's cacophonous Indian debate over the civilian nuclear agreement with the United States. But given Sikri's privileged vantage point while Singh was busy consummating the new relationship with Washington, the reader is bound to be disappointed with the book's colorless observations, which in the end do not add any more to the public record than is already known.

The concluding chapter, proclaiming the need for a clear grand strategic design, is similarly wanting. *Challenge and Strategy* acknowledges that India presently lacks the requisite material capacity for great power status and is careful to avoid the "India rising" hyperbole that courses throughout New Delhi. But Sikri devotes scant attention to what principles and policies should guide India's actions on the world stage or how grand strategy should relate to the pressing imperatives of domestic modernization. Curiously, for all of its denunciations of the nuclear accord, the book has nothing to say about whether India's nuclear weapons posture is sufficient for the country's security environment or how India's nuclear strategy should evolve.

Sikri also laments that the country's leadership is forsaking the Nehruvian ideals and principles that long guided Indian diplomacy, including such notions as nonalignment and third world solidarity. Instead of playing its traditional role as the world's conscience-keeper, New Delhi, he complains, has jettisoned its long-time friends and constituents among the developing countries and is now perceived merely as the United States' camp follower. In view of New Delhi's high-profile defiance of U.S. wishes in the Doha Round trade negotiations or its opposition to the Obama administration's climate change goals, this characterization is open to question. Nonetheless, Sikri is certainly right to highlight the conundrum of reconciling India's current great power ambitions with the precepts and premises that informed the country's international behavior for much of its existence as a sovereign state. How reliable, for instance, is the lodestar of nonalignment when India is striving to become a constituent player in the international power structure, not to mention a permanent member of the UN Security Council? Does nuclear disarmament deserve more than rhetorical support at a time when India has just spent so much diplomatic capital on securing international recognition of its nuclear weapon status? These are fundamental questions, but unfortunately the book does not explore them in the detail they deserve.

Challenge and Strategy contains several instructive and engaging nuggets—for instance, the observations on New Delhi's dealings with Beijing over the Tibet issue and on the institutional dynamics of Indian foreign policy decisionmaking are especially worth reading. In the main, however, the reader is left yearning for more, wishing that the author had incorporated more of the illuminating anecdotes and policy counsel gathered from his long career in government. ◆