WHERE GEOPOLITICS MEETS BUSINESS
February 13-14, 2017
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WHERE
GEOPOLITICS
MEETS
BUSINESS

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The Gateway of India Geoeconomic Dialogue
Where geopolitics meets business

Gateway House
INdian council on global relations

Ministry of External Affairs
Government of India
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The Gateway of India Geoeconomic Dialogue
Where geopolitics meets business
13-14 FEBRUARY, 2017 | MUMBAI

KEY NUMBERS
31 countries represented
40 panellists from 13 countries
8 top global ministers and officials
370+ delegates from over 22 countries

Diplomats from 20 countries
Experts from 14 Indian think tanks
Experts from 15 International think tanks

KEY ATTENDEES
3 Indian Union Ministers
Indian Foreign Secretary
Indian Naval Chief of Staff
Former Prime Minister of Belgium
Deputy Director General, WTO
Chief Secretary, Maharashtra

PRESS
60 press organizations in attendance
141 press mentions of the conference
38 original articles from Economic Times, Indian Express, DNA, Scroll, Live Mint, Times of India, Telegraph and First Post.

DIGITAL
240,000+ impressions online during the conference
24 Engagement from countries around the world
989 mentions of #GOIGD2017

Attendance from more than 15 businesses, including global and Indian CEOs
The second Gateway of India Geoeconomic Dialogue was held at the Taj Mahal Palace Hotel in Mumbai, India on 13-14 February 2017. The conference’s theme, 'Where Geopolitics Meets Business', continues to be a compelling one, especially as India’s diplomacy is conjoining with its domestic developmental and business interests.

The Geoeconomic Dialogue was co-hosted by Gateway House: Indian Council on Global Relations, and the Ministry of External Affairs, Government of India.

This, the second edition of the signature conference, has increased in its convening power, bringing in 370 delegates from 22 countries, with 40 expert panellists from 13 nations. In its expanded scope of geoeconomics and foreign policy, there was high-level representation from multilateral institutions, including the World Trade Organization and the Organisation for Economic Cooperation and Development. As with the last conference, delegates included influential scholars from geoeconomic think tanks, technocrats and politicians from around the world as also a robust representation from Mumbai’s business community, the Maharashtra state government and India’s defence services. Supporting our efforts were the Export-Import Bank of India, City and Industrial Development Corporation Limited for Maharashtra (CIDCO), Ambit and Signet Chemical Corporation.

The Gateway of India Geoeconomic Dialogue coincided, as is now customary, with a meeting of the Think Tank 20 group, which is the ideas bank for the G20. A round table discussion for the T20, the 'Dialogue on the Emerging World Economy', was held under the official banner of the 2017 German presidency of the G20. Gateway House hosted this meeting in collaboration with the Kiel Institute for the World Economy with support from Siemens India and German development agency, GIZ India.

This year, experts from 15 highly rated international economics-focused think tanks and 10 Indian think tanks participated in the day-long roundtable discussion.

The Gateway of India Geoeconomic Dialogue too had substantive discussions on India’s role in geoeconomic and geopolitical trends. The debate on globalisation, the use and abuse of capital flows, the disruption in global business models due to digitisation and financialisation, the challenges in creating a defence industrial base for India, and aligning developmental and diplomatic goals, were discussed in depth at the colloquium.

Mumbai’s business community and the Maharashtra state government appreciated the attention the conference brought to the city, and to the role of business in India’s diplomatic outreach. The Geoeconomic Dialogue is now firmly established as a signature event in the international calendar of geoeconomic conferences during which our Ministry of External Affairs can articulate its global vision for India to a diverse and discerning audience.

Gateway House continues to be animated by its founding mission of bringing business and diplomacy together.

Neelam Deo, Director
Manjeet Kripalani, Executive Director

Gateway House: Indian Council on Global Relations
Mumbai
Welcome Remarks

Swadheen Kshatriya, Chief Secretary, Government of Maharashtra

The Honourable Minister of State for External Affairs, Shri M. J. Akbar; the Honourable State Minister, Ministry of Foreign Affairs, Government of Bangladesh, Shri Mohammed Shahriar Alam; Secretary, Ministry of External Affairs, Shri Jaishankar; and our Ambassador to Germany and my batchmate, Shri Gurjit Singh.

Consul Generals, office bearers of Gateway House: Indian Council on Global Relations, Mr Fernandes, Ms Neelam Deo, Ms Manjeet Kripalani; distinguished delegates and participants, ladies and gentlemen, I am honoured to welcome you to Mumbai for the Gateway of India Geoeconomic Dialogue, 'Where Geopolitics Meets Business', co-hosted by the Ministry of External Affairs and Gateway House: Indian Council on Global Relations.

The Government of Maharashtra is happy to associate itself with the Ministry of External Affairs and Gateway House in hosting India's premier geoeconomics conference, interweaving business and financial discussions in their geopolitical context.

This conference is truly international in nature as reflected in the diverse pool of experts and industry representatives gathered here from around the world as well as the global scope of the panel discussions to follow.

India is recognised as a stable bright spot in the turbulent world economy which is continuing to grow at nearly 7%. The Government of India has embarked on economic reform policies while maintaining stability. Recent examples include: the currency exchange programme to address issues of corruption and terrorist finance flows; and the introduction of the Goods and Services Tax (GST) to bring India in line with global taxation practices.

The central government's devolution of power to the state governments is not only limited to financial autonomy and tax collection, but has also introduced an element of healthy competition between state governments to attract Indian and foreign investment. This has provided the impetus for states to undertake different programmes of reform of land and labour laws and build infrastructure.

Today, we have assembled in Mumbai, which is the capital of a state known as Maharashtra, and Maharashtra is, traditionally, the most industrialised in the country. The state continues to retain its first position in terms of investments received.

The whole world is represented in Maharashtra which provides adequate infrastructure – Swadheen Kshatriya
The industrial scenario of the state is varied and not limited to one or two sectors. Some of these sectors include: automobiles, auto components, engineering, information technology, pharmaceuticals, chemicals, electronics, food processing etc. The entire world is represented in Maharashtra and companies from the U.S., European Union, China, Japan, and South East Asia have all set up production facilities here.

The state provides a conducive environment and skilled manpower, adequate land, water and power, and investment facilitation centres for quick clearances. That is why it has been successful in attracting investors from giants like General Motors, Volkswagen, General Electric and others.

The state attracted investment MoUs worth Rs 8 lakh crore, or about $11.5 billion, during the Make in India event, which was held in Mumbai in February 2016.

Maharashtra alone receives 30% of the total FDI flowing to India. It is also the largest contributor to the central tax revenues.

Mumbai is the commercial and financial capital of India and we strive constantly to improve the hardware of our infrastructure and the software of our laws to create the best possible working environment for industry and the welfare of our people.

We are honoured that this conference is starting with the dialogue between the Honourable M.J. Akbar, Minister of State for External Affairs, and Mohammed Shahriar Alam, State Minister, Ministry of Foreign Affairs, Government of Bangladesh, illuminating the growing warmth in relations between India and Bangladesh. The dialogue will highlight the importance of closer neighbourly relations in creating a peaceful South Asia which will enable both the countries to achieve their full potential for development.

Once again, on behalf of the Government of Maharashtra, the Ministry of External Affairs and Gateway House, I am delighted to welcome everyone present here and hope that your thematic expertise and global experiences will translate into robust discussions over the course of this conference.

I would like now to welcome Honourable Shri M.J. Akbar, Minister of State for External Affairs, Government of India and Honourable Mohammed Shahriar Alam, State Minister, Ministry of Foreign Affairs, Government of Bangladesh, for the inaugural dialogue.
Introduction and objectives

The second Gateway of India Geoeconomic Dialogue was inaugurated by the Honourable M.J. Akbar, Minister of State for External Affairs, Government of India. He held conversation with the Honourable Mohammed Shahriar Alam, State Minister, Ministry of Foreign Affairs, Government of Bangladesh, who gave an overview of the investment potential and secular ethos of his country. In the hour-long exchange that followed, the two South Asian ministers discussed the ongoing changes in the global order, the spread of terrorism in the region, and how India and Bangladesh epitomise the creation of a new neighbourhood narrative—one of peaceful resolution of land and water disputes through continuous parleys.

Key Points

Globally, the nation-state is losing its pre-eminence in the global architecture. Over the last century, the nation-state rose to pre-eminence in the international system, replacing the empires that crumbled after World War I. The rise of China and India, the collapse of the USSR, and the emergence of supra-nationalism in the form of multinationals has further weakened the nation-state. It is forcing the international institutions and multilateral bodies to reform, a system still controlled by the victors of World War II.

The world now must accommodate changed realities. Today it is socialist China which is defending free trade and supporting globalisation, not the United States or other advanced economies of the West. Instead, the latter are seeking a narrowing and shuttering of existing free-trade structures by raising tariff barriers. This is the changing world, and the turmoil in global geopolitics and economic discourse reflects it.

Regionally, South Asia is hurt by a lack of trade and connectivity. The visible and invisible walls to India's west have hampered intra-regional trade and connectivity which, at 5%, makes it the least integrated region in the world. Afghanistan too is therefore cut off from the region. The new breed of terrorism unleashed by the Islamic State has made engaging with the region's youth an imperative. Yet, real dialogue between countries is not possible under the shadow of a gun or when terror is made state policy.

Such emotive issues can be resolved through dialogue. For example, India and Bangladesh have reset their relations, settled a land border dispute and reached a working agreement on the sharing of river waters.
Economic growth beyond the elite is necessary. Prosperity must travel through society to reach the poorest, who need it the most. Alleviation of poverty is not enough; it must be eliminated. Some ways of ensuring economic growth is to focus on empowering women, removing unnecessary intermediaries and middlemen in business and government distribution systems. The Bangladesh experience shows that women are the most productive element of economic growth and integral to creating it inclusively.

Global business has an opportunity. It is time for global business to focus on South Asia, which is now moving towards political stability and has large internal markets.
Thank you very much, Madam. Good evening, ladies and gentlemen, ministers, ambassadors, excellencies, the organisers from Gateway House, delegates, and participants. First of all, let me thank the organisers for having me here, for organising this event. I would also like to commend the Ministry and the Ministers for supporting this initiative.

I am very proud and pleased to be in Mumbai for the first time. I know a little about India already. I always remember the fruitful, good cooperation between my country and yours during my time as Prime Minister of Belgium and the visit by my then Indian colleague. I remember also the quite impressive economic achievements of India through the port of Antwerp and the quite important bilateral trade we have with your magnificent country.

Since leaving the Belgian government, I have been working for the Organisation for Economic Co-operation and Development (OECD). At that level of the OECD, we had good working parties, making progress in strengthening the economy and competitiveness, and we could, in fact, also learn a lot from your delegates there. Currently, I am leading an organisation in Stockholm, called International IDEA, which has a mandate to promote democracy. International IDEA has 30 member states from around the world, and it is a relatively small organisation, with about 200 officials, and both large and small democracies like Barbados, Cape Verde, and others. But, we were very proud also to have in our constituency of member states, your country, the biggest democracy in the world.

Ladies and gentlemen, this being said, let me enter into the subject on which I was asked to deliver a couple of thoughts, which is 'Europe at the Crossroads'. It's a very appropriate subject. I think that not one of our European colleagues present here would deny that indeed, our continent, the European Union, wider than the whole of the European continent, is confronted with important challenges. There is the volatility of the geopolitical environment, which has already been referred to. We went through decades of the development of evolution. We went from a bipolar world to a multipolar one to zero polar, and the future will show what it will be like for the next decades. The future of multilateralism is at stake—and I will elaborate on this.

The EU is changing

We also see that in the whole neighbourhood of the European Union, lots of things are changing. There is, in fact, a lot of transformation, including via violent ways. There is a great deal of unrest, and as a consequence, migration or efforts to migrate towards the European Union.

Number three, of course, is Brexit, the decision based on a popular vote, in a referendum, to leave the European Union. I think this is a fact and we have to follow now on the consequences of this fact. But it is very difficult to imagine what kind of outcome the negotiations will have, how long they will last, and to what situation they will lead.

Number four is economic stagnation—not really stagnation, but of course, compared to your economic growth, an average growth of 1.5-1.6% is not so high. There are differences within very well performing economies, like the Swedish one, Poland, Ireland, Slovak, Czech Republic, Slovenia, and others, but also with countries of the Eurozone, for instance, which are still trying to cope with very low growth figures.

There is also the need for Europe to reposition itself in its relations with a long-time ally, the nation that came to save Europe at crucial times, the U.S. There is the veil of protectionism going through the world, while Europe—in the DNA of modern Europe—free market, free trade, openness, are part of its identity.
There are other threats to security, internal security, security issues in the immediate neighbourhood of Europe and at a global level. And if I want to complete making references to my predecessors here, we also have a series of anniversaries to commemorate, celebrate in 2017.

There was already a reference to the centennial of the Bolshevik revolution, but closer to the European Union, there are the 60 years of the Treaty of Rome, 15 years since the introduction of the Euro, 25 years of the fundamental Maastricht Treaty, and so on. Confronted with all these challenges, confronted with all these facts with which politicians and political leaders have to work, I think there is a need, a very important need, number one, for a future-oriented vision, based on reality–realistic, but future-oriented. Number two, for a rational approach. Number three, for an approach based on confidence and trust. And last but not least, there will also be a need for new political systems.

Ladies and gentlemen, let me anchor my remarks to you about 'Europe at the Crossroads' around what I would call five inter-connected clusters of challenges and fundamental questions. Let me start by what was said by colleagues just before me. It is, indeed, a matter of fact that the geopolitical balance, geopolitical relationships, are shifting. And so, the first crucial question that the European Union has to answer—not only for the larger member states of the European Union—is, what is the position, what are the strengths, what are the weaknesses, but above all, what will be the role of the European Union in the future?

The geopolitical reorientation with the United States has meant, very clearly, pulling out of some debates. With the European Union surrounded by conflicts, or by fragile states, we have a lack of stability, and with some power play from the Russian presidency, the geopolitical reorientation has taken place.

But, in fact, to go back to history, parts of the globe other than Europe have been at the centre of the geopolitical situation on a global level. And so it is obvious, it is not more than normal, that due to the economic facts with emerging economies, stronger economies with more economic growth and potential than Europe, parts of the globe with a different demography, will strengthen their position, and by doing so, try to catch up with European evolution.

Europe as a symbol of values

This means more competitiveness, more competition for Europe. In this geopolitical balance, this is, of course, also an important debate about crucial values. Europe is, and wants to stay, the continent of the Enlightenment, of values, of human dignity, of equality, secular states, with freedom of religion, and so on. And this is being challenged today.

This brings me to security: external security, which I already mentioned, but internal security too. As far as internal and external security are concerned, there is, of course, also a very important institutional aspect. Do we have the capacity, as member states of the European Union, to speak with one voice? Do we have the capacity to really build a European foreign policy and a diplomatic presence all over the globe? And in terms of internal security, do we trust enough, believe in European cooperation, do we share data and defend our freedom and basic values together?

One crucial, urgent and an important aspect with which I will close this first cluster of problems concerning geopolitical balance, is the issue of military security. Well, let’s be open and frank. The European continent, and certainly the western part of the European continent, has been kind of outsourcing its security issues to NATO—the de facto U.S. allies. Currently in NATO’s expenditure, more than 70% of the funds comes from U.S. contributions. There is, indeed, in that domain, a need to rebalance. We—nations, politicians and European citizens—will have to take the responsibility to defend ourselves in an insecure world, not to unleash violence, not to create more insecurity. But just as a show of solidarity with the alliance, with NATO, it was, at a certain moment, agreed that 2% of GDP would be invested in security—collective security and external security—with rare exceptions.
Not one of the European member states of NATO realises it—and I will come back to this later—that with Brexit, France will be the only remaining permanent member of the UN Security Council and also a member of the European Union. I think that this means something for the debate on the restructuring of the UNSC.

Ladies and gentlemen, let me conclude this first cluster by putting forward at least three or four objectives we should pursue. Number one, I just mentioned it: as the European Union, as member states of the NATO alliance, invest more in defence towards the 2% to which we committed ourselves, to have a more active European pillar within NATO. Number two, develop a real, unequivocal neighbourhood, to have a clear vision of the conflict surrounding the European Union. Number three—and I think this is important for those who are in debates with the new U.S. leadership—let’s support multilateralism. The European Union is a multilateral creation: let’s support multilateralism as one of the most important tools with which to combat the challenges of today.

Last but not least, as a priority for discussion in this cluster is, as I mentioned already, the suggestion to become a more active member, a more active partner in the debate about restructuring the multilateral structure of the United Nations, including membership of the UN Security Council. So this is the first big challenge, cluster of challenges, for the European Union, for Europe at the crossroads, the whole of the European continent. The European Union is not more than a kind of peninsula of Eurasia: we share this Eurasian continent with two-thirds of the world’s population.

A demographic ticking bomb

I think we sometimes have difficulty drawing the right consequences of this fact, of these figures. Besides, the EU is positioned above what I call a kind of demographic ticking bomb which is the African continent. Migration is now at the centre of the concerns about not only the political leadership, but also of citizens. Well, it’s here to stay for the next decades.

So, in the course of the next year, a very important challenge for the European Union is the one of demographic change, of the pressure of migrations towards the European Union, and to give the problem a positive spin. In my opinion, migration should be seen more as part of the solution, than as part of the problem. Of course, this comes with conditions, but it is part of a solution for a continent where, today, for one person older than 65, you only have 2.4 persons at work. There will be a need to finance retirement schemes, healthcare and so on.

It is a matter of urgency to act because we are living in a continent in Europe where fertility rates don’t go lower than 2.1, which is, so to say, the turning point or the tipping point for replacement. There is a need for immigration, there is a need for new people—and of course, as I mentioned, under certain conditions. These conditions range from integration in terms of language, vocational training, employment, the rights of people and so on. It’s time for us in Europe to have a positive, open approach, standing on conditionality, on the one hand, but on the other, giving opportunities to people that want to make their lives in Europe, to take chances and to become really integrated inhabitants of our continent.

This goes by or passes via a management of migration flows, it goes through concrete decisions on a common border, on strengthening already existing systems to manage common frontiers. Borders like Frontex. This comes with an acknowledgement of the difficulties to defend these borders. This comes with an acknowledgment of the instability of the neighbourhoods of the European Union. It also goes with a positive formulation, common formulation about the European Union, citizenship and about the core values, and a very clear, not stricter, but better enforced, internal common security policy.

So, the second cluster of challenges that a Europe at the crossroads has to face are the dilemmas related to migration. It has to see it as a positive chance to rejuvenate, and to answer the problem of the aging of the home population in the European continent.
Number three: I put this, on purpose, not as the first challenge—because numbers one and two are more urgent today—but number three is, of course, related to the economic situation and the European continent. We have a very mature economy. The European Union is still the biggest consumer market in the world, but we sometimes have difficulties in exploiting our capacity to perform well. Or our export capacity is endangered by rigidities—due to high prices, due to a lack of mobility on the labour markets, and due to the very long time it takes in Europe to bring innovation to consumer products, to the markets.

So these too are difficulties we should face—and they call for courageous decisions to do with fighting red tape or lowering taxes. Of course, we must aim to strengthen the European economy because we also share the concept of the social welfare state that brought many positive consequences, many pluses to the daily lives of our citizens. But we can't take it for granted, we have to deserve it. Also, from that point of view, in order to be able to protect, to strengthen the function of our welfare states, we have to act.

Protecting social welfare

Angela Merkel recently said that it wasn't sustainable to have 8% of the world's population with 25% of the GDP and 50% of the social expenditure. I think this summarises very well the kind of challenges we are confronted with in the field of the economy, and in protecting these social welfare states, which is a fundamental value within the European Union and which brings chances for equal development of quality education for all and healthcare and so on.

Ladies and gentlemen, the fourth cluster of challenges for a 'Europe at the Crossroads' relates more to the core business, so to say, of the organisation I currently work for. It is about the political decision-making within the European Union—not in terms of the technocracy in Brussels, but more in terms of the interaction in Europe between the political leadership and citizens. Today, we have to be frank, we have to be open, we have to be conscious of reality. And that reality is, to a certain extent, that the legitimacy of governance is undermined.

We have been building up, through the last centuries, systems that today are only partly functional. The democracies, most of the liberal democracies in Europe, emerged in the 19th century. We have the creation in the 20th century of mass political parties, popular political parties; today, we see that based on these tools of the 19th and 20th centuries. We're a bit short on addressing the challenges of the 21st century. And so, we have to restructure, we have to reform the way we do politics. We have to find a place for the non-electoral democracy. For democracy beyond elections, we have to answer the rise of populism, when people have to sit together to make coalition governments.

To give an example, people are not clear any more about what the difference is between a Social Democrat and a Christian Democrat. Take even mainstream liberal parties: it is, of course, obvious that there are people that don't agree with political proposals, with decisions by governments formed by these mainstream parties, and that these people would tend to opt for the extremes. This is what is currently happening in the European Union, the European continent—and we should find an answer to that.

There is also the replacement of the traditional distinction between Left and Right. By 'distinction', I mean the "web people" on the one hand. Those who are assertive will educate people that are open, feel strong enough to fight for their ideas, that see a bright future in front of us.

On the other hand, there are not only the "web people", but the people that just stand aside and see things happening and want to be part of democracy, want to also be part of society to a full extent, but don't have the opportunities to do so. And this can sound theoretical, but I think together with the pro- and contra-European integration, that this is a divide which now goes through the democracies. This will be asked for in an election, in the elections that will take place in the course of the next month. In March, we will have important elections in the Netherlands, in April and May in France, and in September in Germany, the latter two the big founding fathers of the European Union.
There too, it is about a confrontation—between those people that want to go step by step in accordance with the Truman Doctrine, completely for more integration, for strengthening multilateral cooperation in the European continent, people like Angela Merkel, and similarly, the mainstream popular parties; maybe Mr Macron in France, and, on the other hand, more extreme, more populist parties that, in fact, want to distract the European Union for all kinds of reasons.

So the fourth cluster, besides this issue of the place of Europe on the global stage, is the international security policy, apart from also issues of demography and migration, and strengthening the economy. The fourth cluster is about reorganising, improving political decision making, strengthening the legitimacy of policy to have inclusive democracies and make a clear choice in favour of strengthening European integration, a Europe that can be improved in terms of delivery, in terms of legitimacy.

Europe is big on small things, and sometimes, small on big things. This has to change: we are aware of the problems, but let’s not unfold what, through decades, has been built up step by step, and which now brings many positive aspects in the daily lives of people.

Last but not least, and I will be very brief because the room is full of specialists. There is a need, as far as Europe is concerned, to be in accordance with its identity. European integration is based on the principle that when you make people work together from an economic point of view, when you open markets for each other, then you avoid the repetition of conflicts. This multilateral construction of European integration is all about that. And if you want to avoid its history to restart again, to come back again, well then, we should, as the European Union, continue to fight for free trade. And block to block negotiations are difficult, especially in the European decision-making system. It’s not always easy. We’ve seen even with the treaty between the European Union and Canada that there were some difficulties. But protectionism is not the solution. And being said to be in favour of free enterprise: building walls and being against free trade, this doesn’t go together in a sustainable way. You can have such a narrative for a couple of weeks, for a couple of months, but I’m sure that even in the U.S., at a certain moment, common sense will come back. Progress goes together with free trade, of course, in acceptable conditions.

In terms of the European Union being at a crossroads, let’s be clear: Europe should choose to enhance, deepen the free markets.

Let me just say a couple of words about the Brexit decision from this point of view. Ladies and gentlemen, I think that for all politicians—and this goes also for me—that when a nation chooses to take a decision which is a little contrary to what our own opinions are, we should fully respect it, such as the outcome of the referendum and Great Britain leaving the European Union.

**Negotiation will be tough**

But I’m convinced that it will be very tough times, not only to reach an agreement on a calendar of negotiation, but also to reach goals, to reach agreements for that negotiation, and doing so in the course of two years. It seems to me quite unrealistic. And so, my hope is that in the coming three, four, five years, as many as may be needed to work to reach an agreement on the conditions of Brexit—the consequence of the choice that Britain has made—that there will be enough common sense, and that all parties around the table will keep at the centre of the discussion the interest of the population.

To cite just one figure to do with the trade between the UK and European Union: as of today, 45% of the exports of the UK are towards the European Union. For the European Union, it’s only 8%. I hope that people in London realise that this is really not the best position from which to start negotiations, and that they will (need to) go beyond the quite popular, sometimes populist, positions they have taken without thinking about the next steps nor about finding an agreement, not within their own, but with 27 other member states of the European Union.
I conclude. In my opinion, in terms of the European Union, when you take the agenda of a 'Europe at the Crossroads', there is a very big necessity to make up our minds regarding our position on the global stage. What is our role in guaranteeing peace in the neighbourhood of the European Union and further too? How do we take the NATO alliance seriously, including putting enough money on the table to take up the duty of solidarity?

**Managing migration**

Number two, it is about managing migration, and trying to make a shift towards a positive approach to migration as one of the solutions to the aging of the population on the European continent—of course, under certain conditions.

Three, it is about reviving our economy. Four, it’s about strengthening the political system, trying to find answers to the wave of populism in almost all the member states of the European Union, but in 2017, very importantly, in Germany and France, the founding fathers and the pillars of the European construction. Last, but not least, it is about continuing to fight for free trade because, at the end, there is progress for all nations concerned.

Let me conclude by pointing at the specific interaction between India and the European Union. I would like to refer to some good discussions that took place last year between the European Union and India that had some good conclusions. I hope that these conclusions of the EU-India summit of 2016 provide us with a roadmap to strengthen the interaction between the Union and India. We are sometimes a little envious of the progress you make. We can’t make so much progress anymore, but we have lots of things to learn from your dynamism, and we are, of course, also at your disposal to try to help make that progress and to make such progress available also to the whole of your population, as your minister has underlined it should be.

Thank you very much.
Inaugural Keynote II
India in the Global Digital Economy

Ravi Shankar Prasad, Minister of Law & Justice and Minister of Electronics & Information Technology, Government of India

My good friend Mr. M.J. Akbar, distinguished Minister of State for Foreign Affairs; Minister of Bangladesh, Mr. Shahriar Alam; Mr. Yves Leterme, Honourable former Prime Minister of Belgium; my very good friend Member of the Lok Sabha, Baijayant ‘Jay’ Panda; the very distinguished Foreign Secretary Mr. Jaishankar; ladies and gentlemen, it is nice to be here in Mumbai today, in this very first Gateway House exchange. India is indeed at the cusp of a big digital revolution. And as the IT Minister of India, I am myself observing a great metamorphosis of India.

Let me, at the very outset, make a mission statement: the Indian digital economy in the coming five to seven years is going to become a $1 trillion economy. This includes: telecommunication, IT and IT-enabled services, electronic manufacturing, the digital ecosystem, digital delivery of services, digital payment and e-commerce.

Turning slogans to reality

I remember our Prime Minister started playing with digital gadgets quite early in his life. And when he was campaigning to be elected as the Prime Minister of India, he coined a very powerful slogan. IT+IT=IT. Which means, India’s Talent plus Information Technology is equal to India Tomorrow. And I never expected that in the ministry, he would give me this principal assignment: to execute this powerful slogan into reality.

Ladies and gentlemen, what is the digital ecosystem of India today? India is home to 1.08 billion mobile phones. Out of a population of 1.25 billion we have 1.08 billion mobile phones. India is home to 1.11 billion Aadhaar-verifiable digital identity cards, all created by India through its own innovation. India is home to 500 million internet users, landline and wireless; 350 million smartphones, very soon likely to become 500 million; and the biggest start up ecosystem in India. We are having four to five new start ups every day.

Indian IT companies and IT-enabled services companies and operations are present in 200 cities of 80 countries. 75% of the 500 and more Fortune companies are serviced by Indian IT-enabled companies or IT services companies. E-commerce in India is rising in a phenomenal manner, powered by the aspirations of the rural or hinterland people.

I am the Minister for IT and Electronics both. Electronic manufacturing has shown a remarkable result. In the last two years, we have set up 72 new mobile manufacturing factories in India—42 mobile and 30 component manufacturing. India is fast becoming a good centre for mobile manufacturing for the market in India, and for export outside, and all the major companies of the world have set up shop here.

What is the basic ideological postulate of the digital economy of India? M.J. touched upon some of these. Number one, banking the unbanked. Number two, funding the unfunded. Number three, securing the unsecured. And number four, pensioning the unpensioned.

In all these, the fundamental premise is: the digital platform is being used in a very, very meaningful way. I will develop that, one by one, but what is this digital programme under the government of Narendra Modi all about? It is transformative. Digital India, Make in India, Skill India, Start up India, Stand up India, Smart Cities, are all digital-based programmes, working in unison to make an empowered society.

What is the second postulate? The second is, Digital India is more for the poor, the underprivileged. We wish to bridge the digital divide. And with that end in view, what is the platform we are creating? The platform has three features. Number one: technology must be affordable. Number two: technology must be innovative.
And number three: technology must be developmental for the deprived and the downtrodden. This is how we are using technology to make India a technologically empowered society.

Technologically affordable. I just talked of Aadhaar. Ladies and gentlemen, can you believe, today, 1.11 billion i.e. 111 crore Indians, are on Aadhaar. And how much have we spent? Just $2 each. The total authentication and verification being done is 30 million per day. At zero cost. That is the kind of technology we have developed, what we call Aadhaar. It amazed even the World Bank, which has great words of praise.

Now, other forms of digital products, like e-sign, e-visa, e-mandi for agriculture, and e-scholarship have been launched. I will briefly outline them. All these are very simple technologies at low cost, designed to make life meaningful.

**Delivering digital services**

What is innovation? We have a platform of 200,000 common service centres, which we call 'digital kiosks'. They are in the rural parts of India, in the hinterland of India, they are delivering digital services: 300 services are being delivered by them in rural India, including some in semi-urban centres. Run by women, by Dalit women, underprivileged women, in the hills, in the inaccessible areas: through a simple dongle technology in the rural parts, they are delivering services and making people enlightened.

How India is changing, ladies and gentlemen, I will give you one instance. There are many, but I am giving just one. Satumma Devi of Telangana became digitally literate. When I learnt about it, I tweeted to congratulate her. She became famous and TV channels went to take her interview. 'Who are you? What have you done? The Minister has congratulated you.' She became further known. Then I talked to her. She did not know English or Hindi. She only knew Telugu, her native language. She’s a beedi mazdoor, the lowliest of the low among daily wage workers, not literate at all. I asked her a question: how did you choose to become digitally literate? And the answer that she gave, ladies and gentlemen, is a powerful statement on the changing profile of India. She said, 'I have a son, who is a plumber in Dubai. I was missing my grandson. Some of my friends said, if you want to talk to your grandson and see his face, learn to operate Skype. He will talk, and you can also see his face. And to operate Skype, I became computer literate.' This is the new India emerging in its hinterland.

The second instance—many of my friends have come from abroad—is a more fascinating experience. There is a place, Orchha, near Jhansi, in the centre of India, which has many old forts. It gets plenty of European visitors, including Spaniards, who don’t speak that fluent English. An old man was running a souvenir shop; he used to speak broken English. He had a son, Hrithik, aged 16 years, who knew the problem. He went on to Google, picked up a smart course on Spanish speaking, started speaking it, and word spread that there is a little boy who speaks Spanish—and their business grew.

This new innovative spirit that is happening in the hinterland of India is a remarkable facet of the new quest for technology that Indians are demonstrating. And from there, came my own comment: Indians first observe technology, then they adopt it, then they start enjoying it, and then they become empowered by it.

Do you know we have added mobile phones in India in the last two years equal to the population of France and Italy? That is the scale on which we work. India is becoming a big centre of smartphones; very soon, we are going to surpass, we have already surpassed the U.S., and very soon, we are likely to surpass even China.

The start up I talked about: what is Stand up India? The Prime Minister came with a very powerful mission. Every bank in India must pick up one Scheduled Caste and Scheduled Tribe—the deprived section—and fund them to become innovators. The spirit of innovation must also come from the deprived section of society. That is Innovative India happening.
And all these programmes are, in a way, servicing the UN mission, the 17-point Sustainable Development Goals. Just now, M.J. talked about JAM. What is JAM? Jandhan Aadhaar Mobile. We opened only 270 million bank accounts in a short span of one year and few months, and earned a place in the Guinness Book of Records. Those who were poor, who did not have a bank account, was the precondition. And the Prime Minister appealed to all the bank people to initiate this, and the results happened. We linked those with a Jandhan account to mobile, Aadhaar-authenticated, and started giving digital delivery of all services to the poor: subsidy for gas, for ration, for payment for daily casual work under MNREGA, etc, etc. Do you know how much we saved? Only 84 schemes saved us Rs 50,000 crores, more than $8 billion, in a space of one-and-a-half years, which used to be pocketed by middlemen or fictitious persons. Digital governance is good governance. Digital delivery is effective delivery. The digital ecosystem is a transparent ecosystem. That’s how we are working.

Then comes the second question. How do we train the people of India? Yes, digital literacy is important. Till now we have trained about 9 million Indians. This Budget, we have announced that we will train 60 million Indians more, at government cost, to become digitally literate. Digital payment has started too, which I will talk about now.

The common service centres, which I mentioned earlier, we use them to train Indians in quest of digital payment. And the training was not a mere formality. Every person trained has to click an operation, recording that he has been digitally trained. We trained 20 million Indians in a short span of two-and-a-half months and about less than a million shopkeepers, who were also in its quest. Now, look at our innovation in digital payments: the UPI, the Bhim App, Aadhaar-enabled payment. Let me show you something very interesting that we are going to start very soon. What is Aadhaar-enabled payment? Let me take out my smartphone. Here is the phone. The shopkeeper must have a phone. The customer need not have a phone. His bank account must be Aadhaar-linked. He goes and purchases something from a shop. He will have his phone and the shopkeeper will have a biometric device. He has to pay and disclose his Aadhaar number, and the payment will be recorded on his smartphone.

This is the new innovative technology in digital payment, an innovation that we are going to start very soon—these are all new technologies which we have started, spanning digital literacy to digital training.

We are also encouraging Indians in a big way by incentives. There is a scheme of a payment of Rs 1000 per day by lucky draw for those who go in for digital payment. This is going to become nearly Rs 10 million in March in a mega draw. Until now, we have given this award to nearly 7.5 million Indians who have been successful in the lucky draw, which includes many shopkeepers.

Therefore, from digital training to digital delivery to financial inclusion to digital payment to digital awareness, all are going in sync. Very briefly, how is it working? We came with e-scholarship: all the major scholarships of India are on e-portal. The fictitious ones were eliminated. E-mandi: our farmers—India is also a farming society—and they did not have a proper market for their products to sell. E-mandi today is linked with more than 75 agriculture markets, and by next year, we propose to scale it to 500 markets. At the click of a button, a farmer can see at which market he can get a good price. Therefore the entire digital ecosystem is working in tandem.

Friends, two-three quick points that I would like to highlight. And what are they? How a digital economy can empower a comparatively poor society in quest of a better life, is a classic lesson which we are establishing in India. And I am telling you, I am amazed myself. Some of my friends, like M.J. and Jay, who know me from my earlier days, know that I have been an activist from my student days. I have had long innings in politics, long innings in the parliament. I have been in charge of many states in India on behalf of my party. But the sheer metamorphosis which I am witnessing in India through the digital spread and the resulting empowerment of
Indians is truly remarkable. And that is one story I would like to share. Therefore, in terms of a promising
digital economy, India is going to become a big, big happening place.

There are two or three general points that I would like to highlight. The first is, speaking behind this
memorable building, in the wake of what happened on 26/11. This has become truly iconic; this particular
balcony has become truly iconic when the terror strike happened here. You all know it.

The Internet is one of the finest creations of the human mind, it
should not be allowed to be abused by a few. That is a very firm view we
have taken in India. And therefore, cyber security comes into the
centre of the digital ecosystem in India. And as our Prime Minister has
said, a cyber war is akin to a bloodless war. The whole world needs to
speak in one voice. We are ourselves keenly emphasising, reinforcing
our security architecture. We are establishing a cyber coordination
centre, promoting cyber training, cyber drills, and upgrading our cyber
legal architecture. Today, before this international crowd, I would like
to highlight that there is a need for coordinated, concerted action in
quest of a cyber security initiative. And it’s going to be a good economy also, because cyber security is going to
become a central pillar of all operations, not only in India, but all around the world. Therefore, new innovation,
new ideas, new initiatives are needed in which India is going to play a very crucial role along with the
cooperation of other countries of the world.

What is the other issue I would like to highlight? The other issue is: Internet governance. If the Internet is one
of the finest creations of the human mind, it should not become the monopoly of a few. If the Internet is a
global medium, it must have linkage with the local. Local ideas, local culture, local views, must blend with the
global. That shall be the real relevance of the Internet.

Speaking on behalf of India, we are very firm. Any new imperialism in internet governance is, plain and
simple, unacceptable to us. Therefore, we talked of the multi-stakeholder model because, in the rise of the
Internet, the state, civil society, academia, the business community, and industry, have all played a role, and all
must become equal participants in the management of internet governance. This was a view I articulated. The
Prime Minister himself gave us direction. And today I am very happy that an internet governance multi-stake
model has become the order of the day.

The second thing which is important is security, which I mentioned. If cyber security is important, the state
must continue to play a crucial role in management of cyber security because the state's role is important and
will continue to remain so. These are some of the general ideas which we have thought to articulate about
India’s initiative in the quest for digital governance, including the digital economy.

Ladies and gentlemen, as for how India is changing, let me give you
some very interesting statistics. We have an e-taal portal in my office in
Delhi. 'Taal' means rhythm, 'e-taal' means that any digital movement in
India is recorded automatically on the e-taal. You purchase a ticket: it
will be recorded. You pay your income tax digitally: it will be recorded,
like this. In the rural hinterland, if any woman is receiving digital
delivery of services it will be recorded. In 2013, it was 6.6 million per
day; in 2014, it was 9.6 million per day; in 2015, it was 18.5 million per
day; in 2016, it was 30 million per day. That is the rise which is
happening in India as far as digital spread and digital delivery of
services is concerned. And if this is the indication, I’m sure by the end
of 2017, it will be 50 million per day. That is the larger ecosystem that
we are making.

And what are my concluding comments? The concluding comment is, not only to make India a digitally
connected society. Not only to make it an Indian, an IT-enabled society, but to make India and Indians an IT-
empowered society—because a digitally empowered society is a better society.
About how India is changing, I will conclude with one example. All the ministers, M.J., myself, are all on Facebook. All are on Twitter. Sitting with Jaishankar, we are exchanging notes on Twitter about what is happening. Good. The PM said, all of you should be available, at all times of the day. We take complaints on social media. People interact with us.

I also used to be the Communications Minister of India. I remember I had just become a week old as a minister. A complaint came to me from an Indian living in Australia through Facebook, saying Mr. Minister, I had sent a consignment to my widowed mother in Ludhiana more than two months ago. You have become a new minister: can you do something about it? I sent a tweet to my district concerned in Punjab: if by tomorrow evening, the consignment is not delivered, action will follow from my office. And lo and behold, by the afternoon itself, the consignment was delivered. This is the way we are using technology; we are using the digital platform for good governance. And these examples have been replicated.

Our Prime Minister is one of the most followed men, digitally, in the world. All the offices, all the departments have digital handles, twitter accounts. I'm sure there should be a twitter account of this function tweeting. This is how the entire ecosystem is developing, making India a truly digitally empowered society, fully accountable and transparent. And we believe in complete freedom of the social media. We are very particular about it. Yes, if there are certain issues of national concern, terrorism, communal violence, we have to intervene for the sake of society. But people can congratulate us. People can make suggestions to us. People can also abuse us—and we take that sportingly—because that's what Indian democracy is about.

I'm sure, ladies and gentlemen, in the coming years, India's powerful digital ecosystem surely will become a beacon for the rest of the world. The world is noticing it, they are appreciating it, I'm sure the common people will also replicate it.

Opening Conversation
Political Changes, Economic Uncertainties
Session Notes

Introduction and objectives

Inaugurating the second day of the Gateway of India Geoeconomic Dialogue, S. Jaishankar, Foreign Secretary, Ministry of External Affairs, Government of India, sat in conversation with C. Raja Mohan, Director, Carnegie India, New Delhi to discuss the 'Political Changes, Economic Uncertainties' currently sweeping the world.

Key Points

Asia must think about how the West sees its rising influence. Asians, including Indians, are proud about the ongoing shift of global economic and political influence to Asia from the West. So while India’s long cherished dream of a multi-polar world is near, it has to think about how the West looks at its own declining pre-eminence. This is important because the changing global order has put the entire international system under stress. In such a situation, basics like jobs and security take centre stage. Crafting a response to these global conditions is a national challenge, and economic stakeholders play a very important role.

U.S. and India. Jaishankar gave sound advice on the new U.S. leader: don’t demonise (Donald) Trump; analyse him. He represents a thought process, not just caprice or a momentary expression of feelings. Trump’s paper on economic analyses shows a strong view, with policy prescriptions on how to fix America and the rest of the world.

India cannot be complacent about changes in U.S. foreign policy priorities. Even though India is not seen as a problem within the U.S. polity or in public perception, the downstream impact of U.S. decisions can still affect it. A U.S. that looks at the world differently and wants to forge new terms of engagement can open up possibilities that the old U.S. might have been too timid to offer. India must separate outsourcing from off-shoring: the former helps the U.S. stay competitive while the latter, off-shoring, damages a country’s tax base.

The narrowing of horizons of the major powers is an opportunity for India. The pullback amongst the global powers creates space for India on global issues that it can use to take more forward positions. India must invest more resources and back intention with action. For example, if Delhi believes Africa is important, then it should show commitment and become more economically active in that continent. Separately, India will have to invest more energy in its relationship with China if it wants to create a more influential position for itself in the world order.

India, China and Japan. The one relationship India must work on is the China account. The issues we have with China today suggest that we have a broader relationship with that country. As both economies grow, there will be aspects that work and those that don’t. Ducking issues is not in India’s interest, they have to be addressed through an honest conversation.

The Trump administration is not preparing to withdraw from Asia; in fact, it is strengthening ties, but on new terms of business.
Japan is crucial to India. A bigger Indian economy is in Japan’s interest; both countries see each other more strategically. Geoeconomics is more important with Japan than geopolitics.

**Iran? No, it is Iran!** Iran? No, for India it’s Iran! It’s a significant regional political player and talks will continue with that country. The same holds good for the Gulf states, from where India’s remittances are large, on a par with that of the country’s IT exports to the U.S. The Gulf is now looking outward to the world economy and we are making a concerted effort to build political ties with them, an effort that has yielded results in a short time-span.

India’s South Asia focus is on outcomes rather than on mechanisms. India sees multilateralism as a method of securing national interest, and not an exercise in idealism. It has also realised that neighbouring countries will act in their own interest. Therefore, it is much better for India to be engaged with partners that it is comfortable dealing with than anything else.

India has not given up on the South Asian Association for Regional Cooperation (SAARC), but there are fundamental obstacles to regional cooperation, especially connectivity and trade. Pakistan is a security-centric bilateral; it will change to an economic bilateral only if it breaks from its stated policies of terrorism, which are now an international problem. India wants solutions. It will find one vehicle or another to take the process forward—"if not a bus then a train; if not a train then a scooter". Hence, the focus is on the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the Bangladesh, Bhutan, India and Nepal Initiative.
Introduction and objectives

Globalisation is being blamed by the West for its economic slowdown and rising inequality, which it argues is at the cost of the poor in India and China being lifted out of poverty. This has caused deep political fissures and resentment of free trade and labour mobility. Is globalisation really at fault? What is the impact of the politics of anti-globalisation and isolation across the world, including in former champions of free trade, the UK, U.S. and EU? What does this mean for India, which is now integrating itself with the world economically as never before, but facing a decline in exports, rising trade barriers and excess capacity? How can India prepare for the new era?

These questions were raised at the Gateway of India Geoeconomic Dialogue by a panel of speakers, chaired by Rohinton Medhora, President of the Centre for International Governance Innovation, Canada. The panellists were: Yonov Frederick Agah, Deputy Director General, World Trade Organization, Geneva; Dennis Snower, President, Kiel Institute for the World Economy, Kiel, Germany; Dalip Pathak, Special Limited Partner, Warburg Pincus, London; Mukund Rajan, Head, International Operations, Tata Sons, Mumbai; and Ashok Malik, Distinguished Fellow, Observer Research Foundation, New Delhi.

The panellists focused on the slowdown in, and the changed nature of, globalisation, the rise of populism, why the developed world must accept change and address the pain of job losses, and refrain from introducing tariff barriers. The discussion closed with describing the central challenge ahead for India: creating jobs for its growing youth cohort.

Key Points

Globalisation is witnessing a slowdown, not a reversal. The global economy is in a typical boom-bust cycle after decades of unprecedented wealth creation. But the nature of globalisation has changed. It is now about interconnected ideas, knowledge and innovation rather than only trade and services. Hence, protectionism, tariff barriers and a return to populism are based on a misdiagnosis of globalisation. Tariff barriers in the interconnected world can be compared to building walls within a family—they are obsolete and will cause ruin. Countries, especially those with advanced economies, must understand that competition is at the heart of globalisation and they must accept the change instead of trying to roll it back. Else it can become an existential crisis if no one takes the lead on critical global issues, like climate change.
Some are left behind. It is difficult to craft and implement a national policy that adjusts quickly to the needs of the globalisation process. Bureaucrats have not been responsive enough to it, so all ills are blamed on globalisation. The "losers" are likely to become mascots for the anti-globalisation politician. To ensure inclusion in the globalisation process, it is necessary to improve the education system and create appropriate social safety nets, not practice socialism.

India has a formidable task ahead. Globalisation is intrinsic to India's growth, it is written into the DNA of India's modernisation. But to stay ahead, India will need to create 200 million jobs in the next 15 years for its growing youth cohort. Young Indians' natural affinity for technology and understanding of its implications can help them be creative and adaptable. It will require an upgradation of the weak education system since new jobs will be created in offshoots of the digital economy and not in the government sector. Advanced societies may face a tougher challenge since the prevalence of social and economic safety nets is likely to kill citizens' incentive to work hard or think about their future.

Jobs, not food, in short supply. The new Malthusian problem is the short supply of jobs, not food, due to the confluence, and sometimes divergence, of globalisation with automation. This is setting up a clash between the forces of business and culture. Therefore, big business must support multilateralism and assume a larger role in society. Eventually, it will be good for business.
Introduction and objectives

Sovereign wealth funds are regarded as desirable patient capital for countries. Now, with low oil prices and low interest rates, have their priorities changed? Have they been restructured to separate from their domestic politics and be more independent and generate returns? What are the best practices and lessons for India’s new sovereign wealth funds, which can complement the existing funds and help India balance the large investments that China is making in India’s strategic sphere?

At the second Gateway of India Geoeconomic Dialogue, the panel of participants discussing these issues comprised of: Yaduvendra Mathur, Chairman & Managing Director, Export-Import Bank of India; Sujoy Bose, CEO, National Investment Infrastructure Fund (NIIF), India; Zheng Bin, CEO (Mumbai), Industrial & Commercial Bank of China (ICBC); and Anastasia Likhacheva, Head of Economic Sanctions Research Programme, National Research University’s Higher School of Economics, Moscow. Luis Miranda, Advisory Board Member, Gateway House, and Senior Advisor, Morgan Stanley Infrastructure, Mumbai, moderated the discussion.

The speakers debated whether investment decisions of sovereign wealth funds (SWFs) are dictated by commercial merit or geopolitical aims. How do economic sanctions affect the investment geographies of funds, and specifically for India, what role is the NIIF expected to play in the country’s quest for its infrastructure build-out?

Key Points

Investment decisions of SWFs are driven by commercial merit rather than geopolitical considerations. Investment decisions of SWFs must be bankable, driven by commercial decisions, not strategic imperatives, or else raising funds in external markets becomes expensive. SWFs must not look for sovereign guarantees as a prerequisite for taking risks in target markets. Wealth funds should aim for a balance of returns, tenure of risk and project viability.

However, some changes may be considered. Development banks, those like Exim Bank of India, which already raise money abroad and find a great appetite for it, are at a disadvantage. They work with the foreign and finance ministries to give loans abroad and are rated highly at home–AAA. But abroad, they are capped by India’s country rating. They can do better if the sovereign ratings architecture undergoes a change.

Alternate global financial institutions are evolving. Unlike the past, the global financial system is no longer defined by the World Bank (WB) and the International Monetary Fund (IMF). New
entrants in the form of the China-sponsored Asian Infrastructure Investment Bank (AIIB) and BRICS’s New Development Bank (NDB), which are alternative sources of funding, will soon have loan portfolios larger than those of their western counterparts. Russia's experience under economic sanctions imposed by the West resulted in a shrinking of its GDP by 2% and forced it to diversify away from its Eurocentricism. That is where alternate plurilateral financial sources can be helpful. Russia is looking to play a more active role here.

The NIIF can accelerate India’s next economic cycle. India is a large economy with very low external debt. Its robust consumer sector, its low debt-to-GDP ratio and its reforms make its government debt an attractive investment option. But to kick-start a new economic cycle, India needs to urgently develop its infrastructure. The investment size is between $500 billion to $1 trillion over the next five years and requires both equity and debt from outside of India. The NIIF can help channel foreign capital where it is needed. Its guiding principle: be commercial, additive, collaborative, and work to scale with a large amount of capital. It will work with the government to provide the policy framework for this, and aim to be a trusted, neutral provider of feedback on India’s infrastructure needs.
Introduction and objectives

Tax havens have long been the tool for channelling capital and for obscuring individual and corporate identities. In parallel, transfer pricing and treaty shopping are depriving governments of legitimate revenues. This is evident from the EU fine on Apple, the U.S. Department of Justice's fines on foreign banks, the revelations of the Panama Papers, the demonetisations across the world, the diluted impact of sanction embargoes and various amnesty schemes. International financial regulators have created an automatic global tax information-sharing network to counter tax evasion and avoidance. Can these be effective cross-border measures in an entrenched extra-sovereign system?

These questions were answered at the second Gateway of India Geoeconomic Dialogue in the course of a panel discussion, chaired by K.N. Vaidyanathan, Senior Adjunct Fellow, Geoeconomic Studies, Gateway House, and Chief Risk Officer, Mahindra & Mahindra, Mumbai. The discussants were: Gretchen Morgenson, Assistant Business & Financial Editor, the New York Times, and author, Reckless Endangerment, New York; Monica Bhatia, Head of Division, Centre for Tax and Policy, OECD, Paris; P.N. Vijay, Financial Consultant, National Spokesperson and Economic Cell, BJP, Mumbai; and V. Anantha-Nageswaran, Advisor, Aavishkar Ventures, and Affiliated Faculty, Singapore Management University, Singapore.

The conversation focused on the need for transparency in taxation policies, on why multinational corporations resort to creative tax compliance, on why the crackdowns on tax evasion and tax havens are necessary, and how tax incentives cause distortions and create black money.

Key Points

The 2008 crisis necessitated the crackdown on tax havens and tax evasion. The 2008 trans-Atlantic financial crisis increased scrutiny and pressure on tax evasion and tax havens. The Panama Papers expose brought tax issues to drawing rooms and boardrooms, triggering an outcry of "enough is enough" and forcing governments to act. Consequently, bank secrecy has receded and countries have agreed to share information about transactions that are prima facie tax-evasive manoeuvres. International accounting standards should be reformed.

Multilateral efforts are necessary for transparency in taxation... Individually, countries may be tempted to take unilateral action, citing national interest. This will create a multiplicity of standards, and increase the scope for evasion. Many well known multinationals are already "innovative on tax". They lower tax liabilities by shifting
profits and misusing transfer pricing laws. The political momentum post 2008 has been central to tax reforms which are now continuing via the OECD-G20 Base Erosion and Profit Shifting (BEPS). G20 leaders, who have been constantly focusing on this issue, asked OECD to create a new standard. Taxes are at the heart of sovereignty. Global harmonisation of taxes is not possible; instead, "collaborative coherence" is the idea to promote.

...while MNCs have to move beyond profit maximisation... Corporations have a responsibility beyond profit maximisation and satisfying shareholders, or else they will be in the cross hairs of government and citizens. Businesses have to embrace the idea of being a force for common good and must be willing to pay taxes in countries where they operate. Rising disparity and inequality across the world is also, in turn, tied to the use and misuse of taxation. Media can help to shame tax evaders.

...and countries have to stop using the tax lever to attract investments. Taxation is the easiest lever for governments to pull and it also allows them to give out favours. But it sets off a chain of distortions that hurts the economy in the long run. Instead, governments should focus on reforming, simplifying and making tax systems fair.

India must simplify tax compliance. India is a victim of tax evasion and transfer pricing by MNCs; the Vodafone case galvanised other countries like China to deal with the issue. A full 85% of its Foreign Direct Investment comes from Mauritius, Singapore and Cyprus. Its people take citizenship of Singapore or Dubai to avoid taxes, using the best accounting resources. They can't deal with the tax system, so they overfly it. The government should make it easy to comply with its tax regime.
Technology Dialogue
Digital Economy: Disrupting Global Business
Session Notes

Introduction and objectives

Machines with intelligence. Robotics. 3-D printing. Alternate energy. Autonomous cars. Mobile commerce and banking. These are disrupting traditional business, with far-reaching impact, where jobs will disappear, simultaneous with greater talk of a basic income for all, where cell research may elongate life, creating greater disparity between rich and poor. In this exciting new world, how should global business respond? What role should India play in this disruption?

The speakers for the penultimate panel discussion at the second Gateway of India Geoeconomic Dialogue were: Sharad Sharma, Co-Founder, iSPIRT, Bangalore; Eric Kutcher, Senior Partner, Global Leader, Hi-Tech, Media & Telecom, McKinsey & Co, Palo Alto; Clas Neumann, Senior Vice-President, Global Head, SAP Labs Network, Shanghai; and Vijay Kumar Gautam, IAS, Principal Secretary, Information Technology, Government of Maharashtra, Mumbai. T.V. Mohandas Pai, Founder Member, Gateway House, and Chairman, Manipal Global Education Services, Bangalore, was the moderator.

The conversation focused on how technological disruptions are changing geopolitics, the future of the digital economy and how the evolution of technology will impact business, how business must prepare itself, and why embracing technological democracy is important.

Key Points

Technological disruptions are changing geopolitics. Fracking has made the U.S. a net exporter of energy. Governments must adapt to the digital world, connecting people and places with digital processes. Despite automation, there must be full employment just to drive GDP and increase productivity. New technologies will solve problems, like immigration and healthcare, and accelerate productivity.

Combination innovation revolutionises industry... Disparate blocks of technology are combining with the entrepreneurial spirit to create disruption to the existing business models. Uber, for instance, was created through "combination innovation" of publicly available technologies—GPS, Google Maps and smartphones. Neither had been designed with the transport sector in mind, but they revolutionised the industry. People are building technology for optimising impact, not revenue. Such technological tools should be widely available.
... which will have to keep identifying innovations. Firms will have to unlearn old business models and planning methods based on the utilitarian model and predictability of investment and returns. The social productivity model will have to be followed i.e. to keep trying various combinations of ideas and products, with innovations being quickly identified.

**Embrace technological democracy.** India was a feudal society that now has social mobility. Technology can create disparity, but people can live with it if they have social mobility, which can help entrepreneurial mobility. The Aadhaar technology has brought equality to people. Only one system in the world has reached 1 billion people faster than WhatsApp—and that is Aadhaar.

Governments and industries will have to enable equal access to technology: that is, the "technological democracy" akin to political democracy will result in policies to create a larger "middle middle" and upper middle class. The challenge for the government will be to increase its capacity to govern whilst guarding against becoming irrelevant. It must educate and equip its youth with skills to embrace artificial intelligence and technology for tomorrow's jobs.
Vice Admiral Anil Chopra, Distinguished Fellow, International Security and Maritime Studies, Gateway House, distinguished participants from government organisations and industry, our esteemed international guests, ladies and gentlemen.

At the outset, let me thank Admiral Chopra for introducing me and the topic so succinctly. It is indeed an honour and a privilege for me to speak to all of you on a very pertinent subject as part of this Dialogue.

This initiative of Gateway House in co-hosting the Gateway of India Geoeconomic Dialogue with the Ministry of External Affairs is laudable indeed. I am indeed glad to learn that some very thought-provoking discussions on a vast spectrum of issues have been held. The interplay between politics, economics and technology as the principal drivers, creating value out of resources, has been highlighted.

My talk this evening aims to introduce another dimension in this learned discourse. I intend providing a geostrategic backdrop to the overall context of geoeconomics, with security being the central theme.

The Indo-Pacific region

The topic 'Indo-Pacific: Possibilities and Portents' holds special significance as the regional dynamics of this 'notional' space has come to bear great significance for international geopolitics and the economic well-being of the entire world.

As the name suggests, the term 'Indo-Pacific' broadly symbolises the area comprising two great oceans, the Indian Ocean and the Pacific Ocean. The term is still evolving and is increasingly being accepted as a concept in the strategic discourse.

The geographic extent of this terminology could have multiple interpretations, but, in the contemporary world, the notion essentially brings the Indian Ocean and the western part of the Pacific Ocean into one strategic arc.

Some analysts would have us believe that the 21st century is a century belonging to Asia. It is generally acknowledged that the geopolitical, geoeconomic and military-strategic focus is in the process of shifting to the shores of the Indian and Pacific Oceans, or more precisely, to the Indo-Pacific region.

Imperatives of the Indo-Pacific region

The existing nebulous regional environment in the Indo-Pacific is also marked by several rising powers which are pushing for greater space on the global stage.

The region is witnessing a global power shift from West to East, the U.S. rebalance, a rising China and the emergence of traditional and non-traditional maritime security challenges.

This maritime region has always been of immediate relevance to the resident stakeholders, but has now gained greater eminence during an era of major global churn. The Indo-Pacific is thus certainly passing through 'interesting times'.

This region is home to more than 60% of the world's population and its leading and rising economic giants. Powered by demography and technology, the region has emerged as the centre of global manufacturing and the service industry. The most important trade routes of the world pass through this region, and the
importance of Indo-Pacific sea lanes for global trade cannot be overstated. The Indo-Pacific region is also rich in natural resources, especially hydrocarbons, which fuel the economic engines of the world.

Apart from being the traditional resource hub for strategic minerals and energy, it also provides large market opportunities. The area accounts for around 60% of global exports and imports in volume and tonnage, according to the UN annual report on Global Maritime Trends 2012. Overall, it may be safely asserted that the Indo-Pacific region is the fastest growing economic region in the world.

**Maritime security challenges in the region**

Even though the possibilities in the Indo-Pacific region are exciting from the economic perspective, the portents are clearly discernible from a maritime security perspective. The region is confronted with both traditional and non-traditional security challenges. As regards traditional maritime challenges, one observes that sovereignty issues, territorial disputes, and contradicting positions on international norms are defining national interactions in this region.

This has naturally led to an escalation of maritime muscle flexing by various countries in the region. This resurgent maritime dynamism in a wider context has been termed in some quarters as 'historically unprecedented and hitherto unseen'.

One can observe that regional military modernisation decisions are being driven by action-reaction dynamics. Force level planning by one country has become contingent upon the known, assumed or anticipated capabilities of the other countries. This has indeed made the Indo-Pacific region more contested, and potentially, more volatile.

What is interesting to note, however, is that nations with vastly differing international views and divergent national interests are, at the same time, significant trade partners and are economically well connected. It is a tenuous balance where, nations of the region, committed on one hand to the pursuit of economic growth, are also displaying a concurrent desire to bolster the capabilities of their armed forces. These concurrent pursuits of growth and defence have given rise to an interesting situation in international relationships. States are now seeking to cooperate with one set of countries for economic gains, whilst for security-related issues, they are dependent on another set of countries.

Quite naturally, contradictions are also emerging within this narrative. Organisations, both international and regional, created for enabling cooperation amongst countries of the region, are being undermined through unilateral policy pronouncements and display of economic hegemony by some countries.

In addition, the maritime economic arteries passing through the region are increasingly becoming vulnerable to non-traditional threats. Whilst the world has managed to keep the menace of piracy in the Gulf of Aden suppressed for some time now, five incidents of it and 80 armed robberies were reported in this region in 2016. Most of these attacks were claimed by terrorist groups based in the Philippines. These are indicative of a trend where the distinction between traditional piracy and maritime terrorism is fading rapidly.

The foremost victims of piracy and terrorism in our oceans are maritime trade and commerce. Coordinated patrols and enhanced surveillance by the littoral states have helped improve the situation. However, the area continues to remain vulnerable to these asymmetric threats.

Steady economic growth has created a regional hunger for resources which is being fed through the medium of the oceans. Any disruption of oil or trade flow in the region will have a detrimental impact on the regional as well as global economy. Therefore, it becomes essential that peace and security prevail in the region.

Maritime security has also now expanded to encompass issues such as human security and the adverse effects of climate change. The increase in population density and urbanisation is already creating stress on natural
resources. The environmental impact of these phenomena will manifest as economic, social and political challenges to the countries of this region.

In the maritime domain, pollution and Illegal, Unreported and Unregulated (IUU) Fishing serve as proven precedents to illustrate this point. These pose a threat to ocean ecosystems and sustainable fishing, consequently leading to shortages, social tensions and increasing insecurities.

The Indo-Pacific region is also prone to natural disasters, which lead to large-scale human suffering. This is also accompanied by the destruction of economic capacities and infrastructure in these countries. A study by the Asian Development Bank has revealed that damages in excess of $335 billion have occurred, between 2010 and 2015, due to natural disasters in the region.

The omnipresent threat of drugs, arms and human trafficking also poses a serious challenge to the littoral states.

Notwithstanding the numerous maritime challenges that I have spoken of so far, the Indo-Pacific region underpins the Asian growth story, and we in India, today, have a major stake in this region.

**The Indian viewpoint**

In terms of geography, India is open to the rest of the world. Our centrality in the Indian Ocean and our location astride the trade jugulars of the world have contributed to the global connect that we have inherited. This connect has been especially evident with the Indian Ocean littorals and the extended neighbourhood of the West Pacific.

As we are aware, India is committed to the path of economic integration. Therefore, there is no disputing the fact that India's economic interactions with countries of the region will continue to strengthen in the years to come. India will also continue to engage with these countries for intellectual, cultural and human integration.

As brought out by our Honourable Prime Minister, our engagements will be guided by our civilisational ethos of realism, coexistence, cooperation and partnership. The maritime domain will continue to play a significant role as the lifeline for these endeavours. Therefore, enhancement of maritime infrastructure and security of the seas is critical to our core interests.

To harness India's potential for maritime growth, the government of India has embarked on the ambitious Sagarmala Project. As part of this project, more than 150 port building and development projects have been identified, which will mobilise more than Rs four lakh crores in investment.

This initiative is complemented by the Prime Minister's Island Development Programme. The aim of this programme is to holistically develop India's islands in the fields of tourism, agriculture and carbon neutral energy generation.

Further, the latest initiative of Security and Growth for All in the Region (SAGAR) also highlights our efforts to deepen economic and security co-operation in our maritime neighbourhood. It is beyond doubt that these initiatives will aid in developing the economy of the region and increase cooperation at the regional level.

Regional cohesiveness has always presented some natural outcomes. Movement of people across borders for work, trade or tourism is bound to grow. The volume of mercantile traffic, including cruise liners and supply vessels, across the Indo-Pacific will also increase. These will place additional demands and responsibilities on the Indian Navy as well as other maritime agencies.

In fact, the Indian Navy has already been at the forefront of numerous national initiatives as the 'Net Security Provider' in the region. It has actively participated in Humanitarian Assistance and Disaster Relief (HADR) operations, both within the country and abroad. Our response in the aftermath of the tsunami in 2004,
Cyclone SIDR in Bangladesh in 2007, Cyclone Nargis in Myanmar in 2008, and more recently, Non-combatant Evacuation Operations as part of Op Rahat in Yemen in 2015, amply illustrate the Indian Navy’s commitment to provide rapid response to emergency situations in the region.

In addition to this, India has pioneered initiatives, such as the Indian Ocean Naval Symposium (IONS). The IONS brings together both the littoral navies as well as extra-regional observers and provides an open and inclusive forum for discussion on regionally relevant maritime issues.

We have also promoted professional and social interaction among regional navies through Exercise Milan, which brings together the navies of the region biennially.

In addition to professional and social interactions, the Indian Navy is also operationally engaged with friendly foreign countries. These engagements take the shape of coordinated patrols, EEZ surveillance and bilateral as well as multilateral maritime exercises. These have brought to the fore our ability and commitment to achieve peace and security in the global commons through cooperation and synergy.

Partnerships in the maritime domain have also helped advance mutual development through transfer of technology and hardware with regional navies. This resource sharing has benefited the recipients by enhancing their own maritime capabilities.

Over the last few years, India has provided a number of ships and aircraft to friendly countries in the region. We also provide continued maintenance assistance for these platforms to remain operationally available. The Indian Navy has thus facilitated ‘capability and capacity’ enhancement of friendly navies in the region. Our capability enhancement initiatives also include measures for cooperative development through training and hydrographic cooperation.

In my opinion, all these engagements are symbolic of our national beliefs in this regard. It is beyond doubt that ensuring freedom of navigation, adhering to international norms, and interacting on the principles of mutual respect, are essential for peace and economic growth in the Indo-Pacific region.

**Need for enhanced cooperation**

As I have brought out, the Indo-Pacific region has progressively gained centre stage due to the increasing influence of its regional dynamics on international geopolitics. While this exalted relevance of the Indo-Pacific makes it a region of exciting 'possibilities', the prevailing 'portents' sometimes act as a dampener.

Most of these portents originate from a lack of trust and differing ultra-nationalistic perceptions. However, there is a silver lining, as I see it. A comparative analysis of both possibilities and portents will reveal that the countries in the region have, in many instances, managed to find a way around the contradictions and continue doing business with each other. That perhaps shows us a possible way to plan a successful passage through these uncertain times.

Most of us would agree that the most effective way to overcome the existing trust deficit between countries is for them to enhance the level of engagement and interaction with each other. In spite of the centrality of the oceans to all countries in the region, maritime governance structures and a combined approach towards resolving maritime threats and challenges have not been accorded the deserved prominence.

Although a slew of political, economic and security forums, such as the Association of Southeast Asian Nations, the Indian Ocean Rim Association, the Western Pacific Naval Symposium, Indian Ocean Naval Symposium, and East Asia Summit exist, their potential in fostering a positive and cooperative environment has not yet been fully realised.
There is a requirement to strengthen the existing frameworks and empower them. These could prove immensely useful in articulating measures, through mutual consultations, which can ensure that nations of the region act as capable and adaptive partners rather than argumentative, tense competitors.

Particularly for the maritime environment, I would recommend enhanced cooperation among the countries of the region through greater operational exchanges, personnel exchanges and information-sharing to inculcate a sense of collective responsibility and ownership. No one perhaps knows it better than the countries in the region that confrontation would only bring distress and ruin their dreams of economic empowerment for their masses.

Countries, such as India, which would be among the most affected because of their centrality in the region, therefore, have already started playing a proactive role in ensuring that peace and security are maintained in the region at all costs, and that the portents do not end up overshadowing the possibilities.

**Concluding remarks**

Ladies and gentlemen, it is only natural for the Indian Navy, as the principal instrument of the nation’s maritime power, to have a direct interest in the developments within the region. Consequently, strategic deterrence, maritime cooperation, and capacity building will continue to constitute the cornerstones of our maritime strategy. This takes all our geostrategic imperatives into account and aims to create a secure maritime environment that is conducive to sustained economic growth in the region.

Before I conclude, I would like to leave you all with some food for thought. Ladies and gentlemen, striving for ‘betterment’ has been the prime driver in the evolution of the human race. Here, I must reflect that the term, ‘betterment’, is itself comparative. Comparisons lead to competition and competition leads to conflict. We have learnt from history that conflicts defeat the very purpose of ‘betterment’. We, as responsible global citizens, therefore, need to find ways to avoid them.

One of the approaches to conflict avoidance is to make all stakeholders equitable participants in the development process. This can be achieved by conforming to internationally accepted norms of behaviour and basing our interactions on the sound foundation of mutual respect. In this regard, it is imperative that the leading maritime countries of the region and the existing regional constructs play a major role.

I would like to conclude by stating that I optimistically look forward to seeing the Indo-Pacific region emerge as a ‘region of opportunities’.

I would like to reassure you that the Indian Navy will do its utmost best to play its role as India’s principal maritime power and endeavour to overcome the portents to the extent feasible.

I thank you all for a patient hearing and wish you all the very best for your future endeavours. I hope that the Gateway of India Geoeconomic Dialogue grows from strength to strength along its path of progress.

Thank you and Jai Hind.
Introduction and objectives

India is the world's largest purchaser of arms. The Modi government's strategic goal is to strengthen relations with the U.S., France and Russia, to continue to pursue urgently needed high-tech weapons, like the Rafale. This is being pursued simultaneously with the efforts to develop India's own defence-industrial base through the Make in India programme. How is India using these procurements to promote its larger goals? Many agreements have been signed, but what is the quantum of actual investment? Are technology transfers a barrier? Can deepening federalism speed up the process? Can the private sector step up to the challenge? Or is defence best served as a government-to-government preserve?

These and other issues were discussed at the second Gateway of India Geoeconomic Dialogue. The panellists were: Baijayant ‘Jay’ Panda, Member of Parliament of India (Lok Sabha, Kendrapara, Odisha); Jayant Prasad, Director General, Institute of Defence Studies & Analyses, New Delhi; Vice Admiral (Retd.) Barry McCullough, Vice President, Business Strategy (Mission Systems & Sensors), Lockheed Martin, Washington D.C.; Rear Admiral (Retd.) Ophir Shoham, Former Director for Defence R&D Directorate, Ministry of Defense, Israel; Alexis Dalem, Vice President, International Relations, Thales, Paris; and Ivan Timofeev, Director of Programmes, Russian International Affairs Council (RIAC), Moscow. Nandan Unnikrishnan, Vice President and Senior Fellow, Observer Research Foundation, New Delhi, moderated the discussion.

The speakers focused on India's position at the centre of increasing military competition in a region, stretching from the Suez Canal to Shanghai. There are several issues that foreign defence multinationals face. They are keen to enter into strategic partnerships with Indian private sector players, who too must invest in research and development. The panellists discussed the difficulties in achieving a simultaneous modernisation and expansion of the military.

Key Points

India is at the centre of a region in military competition and turmoil. Fuelling this upheaval is the shift of wealth and commerce towards Asia from Europe and the rise of China. The lack of a pan-Asian security architecture and Beijing's plans, like the Belt and Road Initiative, are adding to strategic mistrust and misconception in the region. Asia has the largest arms reserve in the world, mostly in the Indo-Pacific. India's ancient linkages, lack of mercantile aim, and focus on mutual benefit, while helpful, are not enough to keep it as the fulcrum of stability in the Indo-Pacific. It must move beyond soft talk, and build defence capability.
Foreign defence multinationals are ready for strategic partnerships. Foreign defence multinationals from the West are keen to participate in the Make in India initiative, both solo and in partnership with the Indian private sector. Some suggest the Buy and Make route, wherein the equipment is initially bought off-the-shelf and then subsequently produced in India, for firms looking to supply high-tech weapons systems, like fighter jets. Others want to Make in India, Source in India and Export from India as they see a competitive industry, trained workers and a central position in Asia.

Countries like Russia understand Make in India as they had done the same for themselves. They say Indian demands stimulate innovations for the Russian armed forces. Though China is an important defence market for Russia, the level of trust with India is greater as is India's strong record in meeting contractual obligations and respecting licensing norms. India does want to encourage PPPs in defence, but will not abandon its public sector players who have existing obligations.

But equally, there are many frustrations. There are long bureaucratic processes for weapons systems acquisitions. Rules need to be simplified, procedures streamlined, licensing norms speeded up, and the "pernicious practice of granting license by nomination" to the private sector be discontinued. Though India wants to reverse the 65:35 ratio between imported defence equipment and indigenous manufacture, foreign players find it difficult to meet the expectation of 60% indigenous content. They suggest simplifying the offset clause and then progressively increasing indigenisation.

R&D must become the focus. Indian private sector companies must increase their risk appetite and boost defence-related R&D, especially when the government is willing to cover costs and offers 200% tax breaks. For instance, Israel has the highest civilian R&D annual spend in the world at 4.3% of its gross domestic product. India can build a joint R&D ecosystem with Israel, for instance. Joint ventures are crucial to creating that ecosystem, and building know-how and indigenous capabilities. The private sector should focus on identifying and developing only those weapons platforms that will make the critical difference in conflict situations. That will resolve the paradox of simultaneous military modernisation and expansion.
Valedictory Address
Aligning Foreign Policy with Domestic Interests

General (Retd.) V.K. Singh, Minister of State for External Affairs, Government of India

I am delighted to address all of you at the concluding session of the second Gateway of India Dialogue in Mumbai. This dialogue is part of our effort to encourage creation of platforms in India for discussions on international issues of the day—and with its focus on geoconomics, it is apt that it is being held in Mumbai. I must say that after last year’s Dialogue, I am happy to see higher levels of participation, which were also reflected in the quality of discussions we had yesterday and earlier today. I would like to thank Gateway House for organising the Dialogue in association with us.

Let me start by sharing some numbers with you. India is now in the 39th position out of 138 countries on the World Economic Forum’s Global Competitive Index. This is a jump of 16 places for the second consecutive year. In the UNCTAD ranking of investment attractiveness, it moved up six ranks from 15th to 9th. It is projected to rise to 3rd position this year. Foreign Policy magazine has ranked India as a number one FDI destination. Ernst & Young has labelled India as the most attractive investment destination.

These numbers reflect our potential. There are also other numbers which reflect our performance. FDI flowing into India has increased to $45 billion in 2014-15 and to $55 billion in 2015-16. Overall, this is an increase of 43% for the current two-year period as against the two years preceding this government. These are facts and numbers that speak for themselves: they speak of a government that is committed to transforming India.

The underpinnings of any country's foreign policy are inextricably linked to its domestic imperatives. Its goals and objectives are primarily set with their effect on the domestic situation in mind. Its success, too, is mainly premised on the way it drives domestic growth and development. Even the so-called strategic elements of foreign policy, focused on peace and security affairs, or on securing a favourable balance of power, are eventually all relevant largely to the extent that they create strategic space for development and enable the transformation of a country aimed at prosperity and the well-being of its people.

Even though such an approach to foreign policy would be a natural one for a developing country like India, this is not how it unfolded during much of the last seven decades since India’s independence. Despite the vision of our founding fathers, who saw India’s economic and commercial interests as closely interlinked with its broader global engagement strategy, the intervening years saw a development model being pursued in India that limited the salience of business and economic interests in our engagement with the world. With India undertaking reforms in the 1990s, there was a definite reset in our approach. But, older habits of doing business and our outmoded instincts, both in business and government, made such a realignment in our approach difficult to put in operation immediately—even if some gradual progress was achieved.

In the last two-and-a-half years, there has been a recognition that foreign policy and domestic economic policy must acquire a more seamless rhythm—both advancing each other, and buttressing each other at the same time. It is a deeply held belief of this government that without unleashing our economic strengths, advancing
India's interests globally will remain an unfulfilled task. And concomitantly, India’s domestic transformation cannot be accomplished without leveraging fully the potential of its foreign engagement.

This recognition of foreign policy as an instrument for domestic growth and transformation is not unique to India. Countries in South East Asia and China have demonstrated it over the last two to three decades.

The U.S., and Japan, too, at different times in the past have leveraged it successfully. Sitting on the cusp of an impending economic transformation in India, we cannot but grasp these lessons immediately and start implementing them diligently.

Prime Minister Modi’s articulation last year of an ‘India First’ strategy in our foreign policy is an affirmation of our objective to secure India's strategic interests. But more importantly, it also recognises that foreign policy is an essential instrument to usher in prosperity and growth within the country. ‘Diplomacy for Development’ has become the new mantra of the government. To say that ‘We mean business’ today within the foreign policy establishment would not be an exaggeration. Increasingly, we see economic agreements and investment decisions becoming subjects of discussions, decisions and announcements during high-level interactions. The success of our global engagement strategy is getting judged increasingly by our ability to attract investments, expand market access, ensure infusion of technology to build modern infrastructure and introduce best practices to advance our domestic development initiatives.

Through the proactive diplomacy of the last two-and-a-half years, we have brought out the inherent attractiveness of India, based on the 3 D’s–Democracy, Demography and Demand. More importantly, we have articulated our domestic objectives more clearly, and in concrete terms, through announcement of flagship development programmes, like Digital India, Start up India, Smart Cities, AMRUT, Namami Gange, Skill India and Make in India. This has enabled foreign policy to focus on these initiatives with the specific objective of finding and bringing new partners from abroad. It has also become easier for our international partners to see them as talismanic symbols of opportunities that are beckoning them to India.

A major preoccupation in this regard has been to showcase the investment potential of India as a manufacturing destination. The visit of the Prime Minister to Hanover to showcase Make in India or to San Francisco to unveil Start up India are manifestations of a more direct, business-like approach to our diplomatic outreach. But this aspect has been the centrepiece of actually all his engagements, especially to countries such as Japan, China, the UK, France, Russia, South Korea, UAE, Singapore and others.

However, merely showcasing a huge domestic market or announcing flagship programmes cannot be the only selling point. Sincere efforts are required to convince our partner countries and their leaders that India's rise is in their own interest and that it is a good investment to make and to build a stake in India's rise and growth. They must also be assured of a better climate for investments in India.

The government has undertaken this complex challenge through a range of measures through articulation of a proactive foreign policy that seeks to: build closer security linkages in the neighbourhood and beyond; create strategic alignments based on convergence of values and interests; develop a broader range of partnerships with key countries; and shown readiness through intent and action to make India a force for larger global good.

On the investment facilitation side, the government has launched a series of initiatives to confirm India’s seriousness to provide a more welcoming environment for domestic as well as foreign investors. For example, fast-tracking of foreign investments from key country partners in this area has been arranged through country-specific cells in Invest India. The Ministry of External Affairs (MEA) has established an Economic Diplomacy Division to serve as a facilitation point for Make in India and other flagship programmes.
Today, every embassy has a designated commercial officer. We are the first port of call, not only for Indian businesses going out, but increasingly, for foreign businesses wishing to look at India.

This outreach is a necessary complement of the several path-breaking domestic initiatives of the government. The government has undertaken reforms in insurance, railways, defence and infrastructure to open up new sectors for foreign investment.

A central part of this reform agenda has been to improve 'Ease of doing business' and to remove bottlenecks for domestic and foreign investors. Implementing the GST, reform of bankruptcy laws, and negotiating reformed Investment Protection Agreements or tax avoidance agreements to create more predictable and transparent tax and investment environments, are also part of this approach. The abolition of the Foreign Investment Promotion Board in the 2017 Budget shows that the government remains committed to this path of reforms.

Another novel initiative is the implementation of 'cooperative federalism' in foreign policy. Strenuous efforts have been made to co-opt states as practitioners of economic diplomacy in a cooperative and mutually competitive framework. This is important as, ultimately, many of the critical investment-related decisions vest in the states. And bringing them into the fray can help determine positive outcomes more effectively than merely through efforts at the level of the central government. The MEA has, for the first time, created a States Division to coordinate these efforts. State-level cooperative mechanisms, such as the Provincial Leaders Forum with China, and Russia, provide a platform for state leadership to directly interact with each other.

The Sister City agreement, implemented with China, shows that we have not stopped at the state level: we are taking this agenda to the municipal levels. The competitive ranking in 'Ease of doing business' among the states of India is a way to assess how effective this reform agenda has been.

These efforts have translated into impressive investment commitments through MoUs at the government level as well as separate commercial agreements. Tie-ups include almost all areas that constitute our flagship development programmes, from manufacturing to skills development, from Smart Cities to infrastructure development, and from the transportation to energy sectors. The launch of infrastructure investment funds with countries, such as the U.S., UAE, UK, Russia and Japan, listing of Masala Bonds in the London Stock Exchange for infrastructure projects, and turning Make in India into a globally attractive platform, as manifest in the launch of the $12 billion Special Finance Facility by Japan, are instances worth noting in this context.

As I had mentioned at the beginning of my speech, the success of these efforts is borne out by hard numbers. Not just commitments, but there has been a remarkable increase in actual FDI inflows. Business confidence in India, too, has risen. India’s emergence as the fastest growing major economy has been appreciated by financial institutions and rating agencies.

When we drill down further into the details, we can see that this change has been accompanied by a sharp focus on specific sectors. In defence manufacturing, a combination of liberalisation of FDI norms in the defence sector and reform of the procurement process in favour of Make in India, have enabled the government to work with partners in countries like Russia, the U.S. and France, to secure commitments by their companies to set up manufacturing facilities in India in partnership with Indian counterparts.

Sustainable urban infrastructure for the hundreds of millions who are expected to move from rural to urban lifestyles in the coming years is another focus area. Our international efforts have been to attract countries that have the surplus finances and technologies to support the government’s mega programmes, like Smart Cities, AMRUT, and Urban Housing Missions. Several initiatives have been signed with the U.S., UK, France, Singapore, Germany, China, and Malaysia, to name a few.

Connectivity within India is a force multiplier. It affords economic opportunities in the form of new investible projects for businesses. At the same time, it creates new nodes for connectivity and integration with the rest of
the world. It can promote greater economic activity, and, at the same time, strengthen interdependence that can promote trust and stability.

To encourage foreign participation, the government has made connectivity into yet another focus area for its economic diplomacy. On the one hand, it has opened its ports, railways, urban metro and roads and highways projects for FDI up to 100%. On the other, we have entered into several international collaborations, aimed at modernising and upgrading the Indian railways infrastructure in partnership with foreign countries, especially the U.S., China, Japan, France and UK. These partnerships extend not just to attracting investments for physical modernisation of the railway network, but goes beyond it to seek best practices, advanced technology, feasibility studies, training and capacity building. Current initiatives include: upgradation of speed, redevelopment of railway stations, establishment of a Railway University, training for railway officials, and most notably, building India's first bullet train link in partnership with Japan.

Naturally, the focus of our connectivity agenda does not remain limited to India, but extends beyond it to our neighbours as only this can help us integrate more closely with their economies and develop value chains in our region. The Motor Vehicles Agreement between Bangladesh, Bhutan, India and Nepal (BBIN); commitment of a $1 billion Line of Credit for connectivity projects between India and the ASEAN region; the Triilateral Highway project linking India, Myanmar and Thailand; and the Kaladan multi-modal transport project, are all efforts in this direction.

To our west, we have tried to open the way for faster movement of goods and people between India, Iran, Central Asia, and West Asia. The signing of the agreements on the Chabahar Port, as well as forward movement on discussions in establishing the International North South Corridor, are high on our connectivity agenda.

Along with physical connectivity, we have also accorded due importance to digital connectivity. Promoting Digital India has been the focus of the Prime Minister’s interactions with leaders from the U.S., Germany, UK, and Japan. Major investment commitments in India have been secured from a number of companies, like Microsoft, Qualcomm, Google and others. They have committed to supporting extended connectivity to new areas and regions within India.

Skills development is essential to leverage the demographic dividend of a young country like India. Our diplomatic effort has been to partner with countries such as Japan, Canada, and Germany, where best practices exist to train young Indians for tomorrow's industries. The apprenticeship model of the western countries, which we seek to introduce in India, requires a particular role on the part of businesses. They will have to take up this task in true earnest as they will be the ultimate beneficiaries of their plans to expand within India as well as spread their reach and influence offshore.

The launch of a pioneering International Solar Alliance in December 2015 embodies the government's commitment to the development of green energy. The Alliance has been opened for signing of its Framework Agreement in November 2016. Integration of renewables into India's power grid, development of the civil nuclear sector, and catalysing the growth of the renewable sector have been the main planks in the government's diplomatic outreach. Financing arrangements to facilitate U.S. private sector investment in Indian clean energy projects, commitments from the French private sector to contribute to India's solar power development target of 100 GW, and securing German funding for India's solar rooftop projects, are important success stories.
While India will continue to emphasise clean energy development, it is important that it continues to secure conventional energy resources at the same time to ensure that energy does not become a constraint to India’s future growth and development. With reliance on import of oil and gas from abroad, the focus of the government has also been on securing arrangements that can ensure India’s future requirements in this area.

An important development has been the groundbreaking ceremony of the TAPI pipeline.

With Iran, strengthening cooperation in the oil and gas sector is seen as complementary to our efforts in the development of Chabahar.

With Russia, mutual investments in the oil and gas sector have been promoted—from retail to exploration, and development of oil and gas fields.

The agreement with the UAE to promote strategic partnership in the energy sector, including through UAE’s participation in India in the development of strategic petroleum reserves, is a significant development.

Similar efforts in the energy sector with Saudi Arabia, which include Intent to Invest and set up joint ventures in petrochemical complexes, cooperation in joint exploration, and focus on training and Human Resource Development, and Research and Development in the energy sector, are also part of this process.

The list of such initiatives and success stories are multiplying by the day. As we interact and expand our diplomatic canvas, the catchment for such tie-ups, focused on advancing India’s domestic development, will continue to grow. This naturally emanates from a different appreciation of the nature of our interests, which I have outlined earlier.

As the world around is changing rapidly and the global environment presents new challenges and opportunities, we will need to continue to pursue our new approach with nimbleness and creativity. The return to a more protectionist approach on trade, investment and migration is acquiring new supporters, even in the West. Our continuing focus on economic diplomacy will need to be aware of these new developments.

But the idea of business and government working together has finally arrived and will continue to remain relevant in the coming years. Our newly enunciated economic focus, especially in our foreign policy, will persist and continue to challenge us to think globally and strategise more intensively.

I am happy that this forum has provided us an opportunity to deliberate on these issues. I look forward to recommendations on the many ideas and strategies proposed during this Dialogue.

Thank You.

Jai Hind.