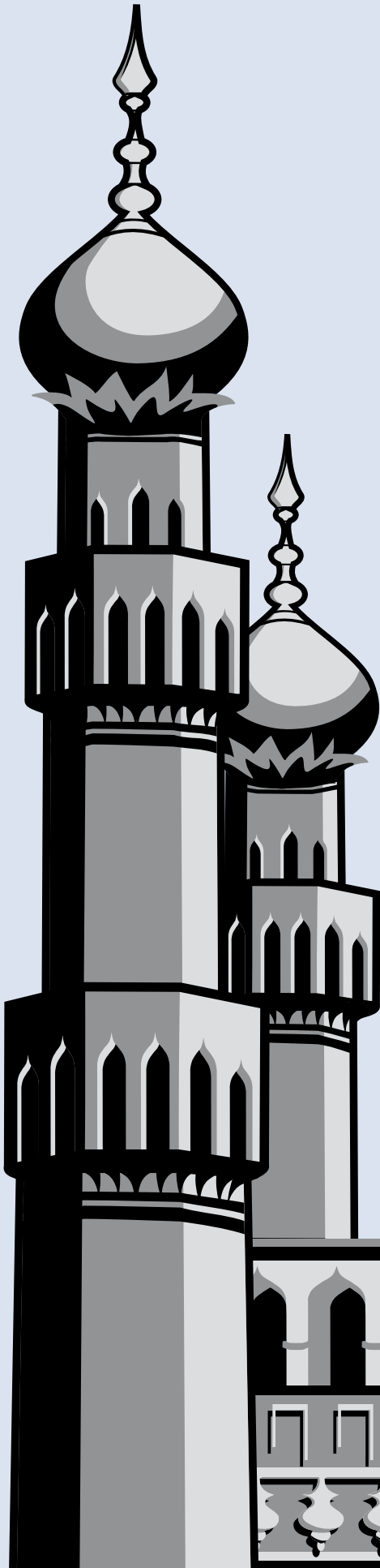




Economic Diplomacy & States Division
Ministry of External Affairs

सत्यमेव जयते



DECCAN DIALOGUE

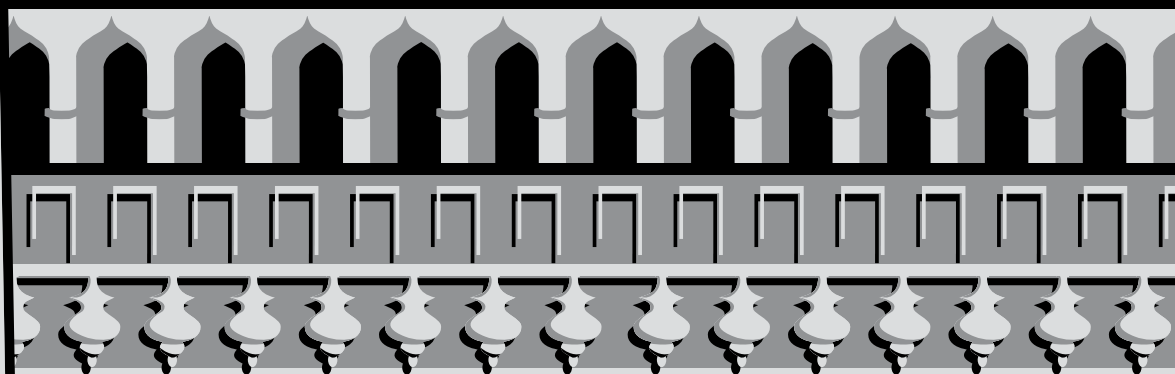


CONFERENCE PROCEEDINGS

CONFERENCE ON
**ECONOMIC DIPLOMACY
IN THE AGE OF DISRUPTIONS**

AUGUST 31, 2019 | ISB, HYDERABAD CAMPUS

DeccanDialogue



Deccan Dialogue, jointly organised by the Indian School of Business (ISB) and the Ministry of External Affairs (MEA), Government of India (GOI), is an annual flagship event aimed at promoting multi-stakeholder conversations on economic diplomacy and India's external engagement. Deccan Dialogue brings together policymakers, representatives from business, diplomatic and strategic community, media and academia on a common platform to engage and deliberate on emerging aspects of economic diplomacy and development.

The second edition of Deccan Dialogue was scheduled on August 31, 2019, at ISB's Hyderabad campus with its theme centred around 'Economic Diplomacy in the Age of Disruptions'. The scope and scale of these disruptive

forces are unparalleled in recent history. No country or company is immune to these forces or can endure them, singlehanded. Keeping this in mind, we had relevant stakeholders keep pace with the changes by engaging them in a policy dialogue where 'international', 'national', 'regional' and 'local' came together to address and adapt to these disruptions jointly.

Deccan Dialogue 2019 was structured to have inaugural and valedictory sessions and four thought-provoking and informative dialogues around the theme 'Economic Diplomacy in the Age of Disruptions'.

The following content represents the conference proceedings, as is.



Professor Rajendra Srivastava Dean, Indian School of Business

Good morning. On behalf of ISB, I take this opportunity to welcome all of you to the second edition of the Deccan Dialogue, which is focused on Economic Diplomacy in the Age of Disruptions. We had initiated this dialogue with a strong partnership with the Ministry of External Affairs to promote multi-stakeholder conversations on economic diplomacy and India's external engagement by involving more players from down south.

Friends, just to briefly set the context for today's deliberations, I would like to point out that we are witnessing extraordinary times where geopolitical shifts, trade tensions, technology transformations and climate change are all churning businesses simultaneously and impacting the economy, society and environment in very very significant ways. Through the Deccan Dialogue the Ministry of External Affairs and ISB are working towards strengthening this important connect. It is important to come together to talk about and to address and manage these tectonic shifts.

This dialogue will cover four areas. First, technological disruption such as automation, artificial intelligence and

economics, these innovations are impacting processes, labour requirements, and indeed, how we live. There is talk about data being the new oil. Indeed, I look at insights derived from data as being the new transmission oil, the new lubricant of business in diplomacy. In many cases, thanks to artificial intelligence and things like machine learning, machines are turning out to be the preferred alternative narrowing the line between labour and capital. Thanks to computer technologies machines are turning out to be the preferred alternative to workers which is narrowing the competition between man and machine. So that is one. Second, rapidly changing world order with the rise of China and the shift from Asia-Pacific to Indo-Pacific are changing multi-lateral and bilateral relationships. We, as a nation, must understand better what we bring to the negotiating table and understand how economic and business realities impact diplomacy. The world is interested in the Indian market because of its size and growth potential. The battleground between US giants like Amazon and Walmart is in India. Uber having retreated from China is battling for market share against Ola.

We must better negotiate technology transfer agreements



because we are the largest opportunity for many of the global players. We must properly handle the ease of doing business frontier and perhaps bring more manufacturing, more jobs and more opportunity to the nation. Third, changing cultural milieus of the growing importance of nation brands and soft power of education and cultural influences is growing day by day. We must open up India to education, to our neighbours. We must also look at how we can lead and influence world thinking. And it is wonderful that Bollywood and Yoga are both great global ambassadors for India.

Finally, structural shifts and financial markets caused by digital transformation, growing nationalism and economic strength are emerging, and we call them emerging markets. But frankly, China and India are no longer emerging. These are growth markets; these are big markets. So, let us stop the word emerging markets. There is nothing emerging about us. While there is the talk of fintech, we must worry about tech fin. You take companies that are leading disruption in the financial sector. These are companies like Amazon and Alipay. And so, we need to look at regulations, and we need to look at regulations globally.

We must help our financial institutions, whether it is the State Bank of India or other domestic players in the financial market, and we must help them compete globally. While countries used to compete over land and capital and markets, the fight is now over data. Companies such as Facebook, Google, and Amazon generate advertising

revenues out of India, and yet taxes are paid elsewhere. We must look at the value that is being brought. It is an intangible value; the average value of intangible assets in both the New York Stock Exchange and the Bombay Stock Exchange is about 70 percent, meaning that 70 percent of the assets are not on the book. It is human capital, it is intellectual capital, it is insights, it is market access, and we must better understand what the assets are in comparative capabilities as we look at the future.

The Deccan Dialogue will touch upon these assets and initiate an engaging dialogue which I am sure will help the nation's policies and the broader objectives for development. Once again, I welcome all of you and look forward to great value additions and takeaways.

Thank you.

"We, as a nation, must understand better what we bring to the negotiating table and understand how economic and business realities impact diplomacy. The world is interested in the Indian market because of its size and growth potential. The battleground between US giants like Amazon and Walmart is in India."



Shri M Venkaiah Naidu

Hon'ble Vice President of India

It is really my great pleasure to be here today at the Indian School of Business at Hyderabad to inaugurate the second edition of the Deccan Dialogue. I wish to congratulate both the External Affairs Ministry as well as ISB for bringing together such a diverse and distinguished gathering on a common platform to deliberate on the important and topical challenges confronting all nations in the academic sphere. It is heartening to see the great interest and response this dialogue has generated. The idea itself is a novel idea because India is huge, and we have diverse situations, and also, vast opportunities in different regions of the country.

If the country has to progress the states have to progress. You have to recognise the potential of each and every region and try to take advantage of it and explore the possibilities. And such dialogues are really very useful. I am really happy that the External Affairs Ministry has taken

this initiative. This is really cooperative federalism. As the Prime Minister said, we have to work as Team India – the states and centre must work together, exchange ideas, explore opportunities and then work together. And also, now we have opened up and the entire world is looking towards India.

As the Vice President, I am visiting on behalf of the Government of India different countries; so far, I have visited around 22 countries. There is a new-found enthusiasm among the world community about India because of three reasons. One is the culture; our culture and civilisation is a big attraction to the world community. They respect it because it is one of the oldest civilisations and is a thriving civilisation. The second one is peace; non-violence approach of Mahatma Gandhi – this is liked by one and all because everybody is slowly realising that you cannot have progress without peace. Peace is a pre-requisite for



progress. If you have tension, you cannot have attention to any work. The third one is the reforms process. The entire world community is very much impressed and enthused by the reforms that have been taken up by the government, at the national level and various state governments. These reforms and processes – the Prime Minister gave a three-line advice or mantra or whatever you call it. He said reform, perform and transform. Transform the nation. Transformation of the lives of the people, that is the purpose. Transforming the country and transforming the world. So, this is also being appreciated and the academic progress that we are making on account of reforms. There will be some ups and downs, there may be temporary setback, there may be little pain. I always say temporary pain for long term gain.

India is poised to become the third largest economy in the world. This is not what we are saying. The World Bank, the World Economic Forum, International Monetary Fund, Asian Development Bank, Moody's ratings and not Modi's ratings, everybody is indicating that if India moves with the same speed and velocity and takes everyone along with them and the reform process continues, it will become the third largest economy. That is why when I went around, I found new-found enthusiasm everywhere. In addition to this, everywhere there is so much attraction towards the three 'Cs' of India. One is culture, second is cinema and third is cuisine. These are very popular across the globe. Just a week back, I was in the Baltic countries, Lithuania, Latvia and Estonia, small countries with 28 lakhs, 20 lakhs and 40 lakhs population. They are not only beautiful countries, but they are also dutiful, they are doing their duty well so they will undoubtedly become mighty because they are combining all these things together. There too, everywhere people are talking about our culture, people were talking about our cinema. They were saying "Sir, we want Bollywood to come and shoot in our countries." The head of one of the countries was showing where 'Sukumardu' cinema was produced. It is a Telugu cinema. That much importance they are giving. And the cuisine, our food is popular everywhere. The heads of states are talking about Indian food. It is a different matter that some of our youth are taking to other food, changing food habits, going for packed food such as pizza, burger, little number of people, which is not good for health. They should understand that also because people talk of instant food,

and instant food means constant disease. This has to be understood by one and all. Food cannot be instant at all; it has to be cooked properly. Our forefathers for thousands of years have experienced food according to the region, according to season, what we call in our local parlance as 'ruthu'. We have wonderful food and we need not run after food, junk food. These two things that are agitating, we have to take care of these two things. One is society itself – the sedentary lifestyle, lifestyle changes. Fitness is the need of the hour. The second thing is about food habits. When you go through international magazines, particularly American magazines, the way non-communicable disease is spreading, one of the reasons for that is food habits. We have to take care of it although it is not directly connected. But it is connected with the health of the nation. If you are a healthy nation, then you become a wealthy nation. If you are a wealthy nation, there is no guarantee that you will be a healthy nation. Even if you are wealthy there is no guarantee that you can eat Pulla Reddy sweets or Hyderabad dum biryani, you can't enjoy them. So, you have to be healthy. Not only our country but the world also. And India particularly 65 percent of the population of the country is below 35 years of age. We are a young nation and we have to take care of these aspects also before we discuss other issues.

"As a means of driving growth within our own economy, promoting growth and development across the country is the key pillar of India's foreign policy and we have been making earnest efforts to strengthen it."

And this location for this conference, Hyderabad, is a happening place. I can tell you with my experience of going around, one of the most prominent happening places is Hyderabad. It is a favourable destination; you have everything here. And also, this region requires development. Not only capital but the region requires development. There is so much knowledge and entrepreneurship available. And then besides this, you have Amaravati, Vishakhapatnam, one of the most beautiful cities in the country that is best located, then you have Kakinada sea port, you have Krishnapatnam port, Amravati, Tirupati and

a lot of other places which are all happening places and there are a lot of enterprises. If you go through the entire country you find the contractors, important people are all from this region and that means that that talent is there. So, we should explore possibilities of developing these regions. We have airports, ports, railways, highways, you have 1000 of kilometres of coast and then you have so much human resources and cultural activities. Then you have agriculture and aquaculture, every culture is available here. We have to explore all these possibilities and present them before the world community so that people come and invest here. It is heartening to see that great interest and response to this dialogue has generated strengthening economic diplomacy. As a means of driving growth within our own economy, promoting growth and development across the country is the key pillar of India's foreign policy and we have been making earnest efforts to strengthen it.

We are living through an era of globalisation. I always say that you can't live in isolation and have consolation. I am isolated, I am insulated and so I am happy. You can't live in isolation; the world has opened up. You are living in the era of LPG: Liberalisation, Privatisation and Globalisation. If the other LPG is used you can run motors, but if you mishandle LPG you know what will happen, I need not explain that to you. So, this opportunity has to be utilised. It is also true that the global village we have grown accustomed to is rapidly changing in unprecedented ways. Things are changing faster. This swiftly changing global geopolitical and geo-economical landscape required individual countries to come up with carefully strategised, dynamic and calibrated responses.

My dear brothers and sisters and youngsters, the world pattern of trade and commerce are in the process of an ongoing paradigm shift, the rules-based anti-discriminatory and all-inclusive multi-lateral trading system centred on the United Nations, WTO and international law is facing an uncertain future. It is not a welcome trend but a reality. This situation benefits no country, but it is the developing countries that are feeling left out from the process of economic cooperation and have to suffer the maximum consequences from the fallout. In the face of ongoing transformations, it becomes all the more important that we support the efforts towards making global governance more representative by ensuring greater participation

of emerging markets and developing countries in global decision-making. Irrespective of its failings and drawbacks we must acknowledge that the process of globalisation opened up a world of possibilities. For a young, dynamic and developing country like India, globalisation puts the markets of the world within reaching distance, and combined with the process of economic liberalisation undertaken by India, the job market that young Indians face today is fundamentally different from what it used to be a couple of decades ago. This became possible because we embraced the process of globalisation and we have striven to make it work for us.

Wherever I go I used to mention five things to youngsters like you. Remember mother forever, remember your native place. Even if you want to go abroad after your studies go, learn, earn and return to serve your motherland. Third is mother tongue, practice, promote and propagate your mother tongue so that you will be able to articulate your views in a better way. Then, motherland, the country which has given you birth, you should always strive and work hard for the unity, integrity, safety and security of your motherland. And fifth is the guru who has given you knowledge, you should always remember your guru. Today if you ask anything, kids use Google. Even to operate Google properly, even if there is something wrong with your internet, you need your guru. Google can never replace your guru. Guru is always paramount. You have to remember all these five things. Now I am moderating what I said. You can go, we have enough population, you can go abroad and provide a human resource for the entire world. You have knowledge, you gain experience, you upgrade your skills, you go. I have been going around as I mentioned, and I see a lot of Indians everywhere. Even in small countries like Costa Rica. Even Estonia, I had been there recently and there are about 2000 Indians. And Estonia is the first country which is totally digital. A small country with a population of 12 lakh people is 100 percent digital with everything online. There is no need to stand in line, go and meet and greet people, shake hands and do anything in person there is no such necessity at all. So, such a change is happening even in small countries and I found a lot of our boys and girls there. And we are spreading our knowledge across the globe, it is a good thing. There is no problem on that account.

Globalisation has provided one advantage to us. India is the world's sixth largest economy contributing to over 15 percent of the global economic growth and is poised to contribute to the global economic strength for the next many decades. As we are aware the 21st century is being hailed as the Asian century and India has a key role to play in promoting peace, security and development in Asia and beyond. We have a history. We should all remember the past history of our civilisation. We are not war mongers. We never declared war on any country. All Toms, Dicks and Harrys came and attacked us, ruled us, ruined us, cheated us, looted us also, cheated some of our minds, that is the problem. Some of our minds have been cheated and that is why we think that they are great, and we are inferior. We have to come out of that colonial mindset at the earliest. That is why there has to be a basic change in our education system. Secondly, we were once upon a time called as Vishwa Guru or knowledge givers; Nalanda and Takshashila, Vikramashila and so many other institutions. Students used to come from world over and study here. This is not what I am saying. Faxian, Xuanzang, Chinese historians came long back and wrote about India. And also, people say that around 20 to 25 percent of the world's GDP used to be from India – trade. It comes back to trade. In those days our relationship with other countries, we used to do trade, and we were strong, but we never attacked. The reason is that we believed in the principle and philosophy of Vasudhaiva Kutumbakam. The entire

universe is one family, that is the concept of India. Sarve jana sukhino bhavantu; everyone live happily and allow everyone to live happily. That is why we never attacked any country. In the future also we are not going to attack any country. But at the same time if anybody interferes in our internal affairs, we will give them a fitting reply which they will not be able to forget for the rest of their lives. This has to be understood by one and all including the neighbour who is aiding, abetting, funding, training terrorism, which is bad for them and for the world community. We want to have friendly relations. Remember what Shri Atal Bihari Vajpayee, our former Prime Minister said. He said you can change friends, but you cannot change your neighbour. We know about that reality but at the same time the neighbour also has to behave properly. We don't want to interfere in the internal affairs of any country, and we don't want any country to interfere in our internal affairs. That is our broad policy. We want peaceful coexistence. We believe in share and care. Share and care is the core of Indian philosophy. We should spread this, and we should give our knowledge to others also.

The other day I was in Vietnam; Harishji was their Ambassador. Our people, our Professor Swaminathan went there and gave them knowledge about growing paddy. It is a different matter that now their production is more than ours after learning from us, and the same with coffee, and many more like that. We always believe in giving knowledge





to others. We also believe in taking knowledge. We are open-minded that way. So, we have to continue with that. India supports rule-based multilateral order to tackle many common challenges such as climate change, technology divide, trade disputes, terrorism, connectivity, maritime threats. Terror is the enemy of humanity. It has no religion, no region, it has to be curbed mercilessly. Because as I told you peace is a prerequisite for progress, if you have tension you cannot pay attention. So, terror is the enemy, it is not confined to one place. Some people unnecessarily try to bring in religion. No religion supports terror. Some people are unnecessarily, intentionally and purposefully bringing religion in between. This has to be understood by one and all. When we are faced with the issues of unilateralism and protectionism, we need to be conscious of the fact that India and other developing countries had earlier made a clarion call to reform the multilateral system as it exists so that the developing countries have a greater voice in the global governance. Consequently, it is not our case to go back to the status quo on multilateralism. We are also asking for our time, a member of the United Nations Security Council and see what is happening. We are all talking about democracy. India accounts for 1/6th of the world population and you are not there in the world body. 1/6th of the world population is from India and India is not a member of the United Nations Security Council. That is why we have been saying you need to democratise the United Nations Security Council and also conclude

the discussion what is terrorism. This definition has been discussed there for years together. They should come to an early conclusion. What we need is reformed multilateralism to face the head winds of protectionist tendencies. We need to bring about the much-needed reforms in international, political, financial and business institutions so that they are more representative of the ground realities and adapt and respond to new challenges. Enhanced regional connectivity both physical and digital can boost trade and play a pivotal role in bringing prosperity and development. However, for such initiatives to be successful and sustainable they should be transparent, inclusive and respect the principles of sovereignty and territorial integrity. This is an underlying principle.

India on its part is placing special focus on improving connectivity infrastructure with the neighbouring countries both at the bilateral level and through regional forums like BIMSTEC and Indian Ocean Region for expanding intra-regional trade. India's vision of Indo-Pacific is also rooted in the advocacy of SAGAR; security and growth for all in the region. India will support all efforts to keep oceans open, secure and free for the benefit of all. During my official visit to Africa, Asia and Latin America I have personally witnessed the tremendous potential for stronger economic and investment ties with countries of the south. There are many complementarities which can be harnessed for mutual benefit. Effective economic

diplomacy with a developmental approach is the key to materialise this potential. India has always emphasised that economic engagement should not push countries to death traps or restrict the space for development. Development partnership should be based on sustainable models on terms that are reasonable and appropriate and are guided by local priorities and capacities. The support offered by India under developmental partnership program to countries in Africa and Latin America is also increasingly covering all critical areas of education, energy and skill development and disruptive technologies including artificial intelligence, Internet of Things, issues of cyber security etc. Thus, we have brought an IT enabled services program, telemedicine and tele-education and pan Africa e-network project. These are the areas which have been overlooked by traditional development partners of Africa, but we are now focused on working on improving these very critical dimensions of our developed partnership.

My dear brothers, sisters and youngsters, technology has paid a key role in shaping the current economic trade system. The rapid global economic integration which for two or three decades was essentially fuelled by IT revolution. New digital technologies like artificial intelligence and Internet of Things can provide much needed stimulus for reviving global economic activity. At the same time, we must be aware that they may exacerbate the technology digital divide and lead to compartmentalisation of global trade due to legitimate concerns about security and control over these technologies also. Technology is moving forward. We must also be ready to have it. I remember as a student in those days because of the ideology or conviction at that time when computers were introduced in banks, we opposed it and started taking processions. I remember the slogan 'Automation, Anti-nation'. Can you think about it? The way of change is coming. Transformation is taking place. You must be ready. You must update your knowledge; you must learn from others' experience and you must share your experience with others. That is the need of the hour. This is how the world should prosper together by mutually exchanging ideas, cooperating with each other without exploitation. India believes in embracing new technology. It is a necessity for developing countries to leapfrog into fourth industrial revolution era and also to positively transform the lives of the people. Ultimately what is transformation, what is science, what is

technology. To my understanding the purpose of all this is to make peoples' lives more comfortable and happier, not only prosperous but happy also. Mere prosperity will not bring happiness. That is a new concept that people are now realising; the need for happiness. You may have so many things, cars, etc, you may still be lacking happiness. This particular area also has to be focused upon. Whatever the irritants in the way of happiness they have to be removed.

“India stands for open, secure, stable, accessible, non-discriminatory environment for the ICT and digital technologies and uphold the centrality of the United Nations and discussions on ICT-related security issues.”

I was in Costa Rica, a small country where there is no military. It is a peaceful country. And the Costa Rican president showed appreciation in his declaration decree about yoga, knowing yoga and practicing yoga. And to my happiness I found in Guatemala, Peru, Panama there are yoga centres in a number of places. India is a huge country. We should practice and promote more. Yoga is nothing to do with religion. It is an ancient Indian art and science together. Some people are cynical, some people have negative minds and some people say this is introduced by Modi. Yoga is for your body and not for Modi, you have to understand that. Modi is the Prime Minister and so he has taken the initiative. Swachh Bharat, per drop-per crop, reduce, reuse, recycle water, tree plantation, discarding plastic, these are all movements that are necessary to strengthen our nation and make us a healthy nation. Fitness is the other advice he gave yesterday. We as society must make them as peoples' movement. Civic sense as I was mentioning, in these three small countries the amount of civic sense that is there, the neatness, the cleanliness was really very, very impressive. We as a developing country and growing faster need to focus on these basic aspects also. That is why from time to time the Prime Minister and Chief Ministers also stress on this because over the years what has become a weakness within our system is that in India, we started thinking that everything will be done by the government. To some extent the politicians

are responsible for that. Of course, I was also in politics till the other day. Now I am retired from politics but not retired from public life. That is why I am here before you. Everything will be done by the government. We will just sit and not do anything. That will not do. We have to work together. This is a collective responsibility of each and every one of us that has to be understood.

The governments have to look at appropriate frameworks for international cooperation at the global and regional levels that can avoid digital divide and ensure the fourth industrial revolution is an inclusive one. In this context it would be pertinent to reiterate that India stands for open, secure, stable, accessible, non-discriminatory environment for the ICT and digital technologies and uphold the centrality of the United Nations and discussions on ICT-related security issues. We are very clear on that. India welcomes the establishment of a UN open-ended working group on this matter as well as the launch of a new addition of a group of governmental experts (GGE). The technology partnership should also promote innovation and indigenisation so that the benefits are sustainable that is directly related to capacity building and appropriate skilling, human resources, cooperation and higher education and technical training becomes crucial in this context.

I am happy that the ministers from both the states are



here. I am sure that you would have noted the relevance of holding this dialogue in the city of Hyderabad. It has been the centre of disruptions, disruptions that mean technological disruptions and not the disruptions that somebody does in the parliament. Fortunately, they are also coming down. It is driving the innovations in the country and striving to fulfil the varied promise of the digital age. T-Hub, one of its kind, the largest incubator for start-ups is headquartered in the city and has been pivotal in providing companies with innovation driven ecosystems. Hyderabad is one of the first cities in India to witness the growth of the IT and IT enabled service sector and contributes more than 11 percent of the country's IT exports. Additionally, Hyderabad is also witnessing a rapid growth in pharma, biotechnology and medical technology sectors with the Genome Valley near Hyderabad as one of Asia's premium biotechnology and research and development hubs. Today Hyderabad has emerged as the choice of destination for life sciences, talent pool, vibrant life sciences and technology ecosystems, presence of premiere research institutes, available and ready to occupy laboratory space and proactive government support, all of them are available for this city. And as I told you about the other region also, you have 1000 kilometres of coast in Andhra Pradesh. You have 1000 plus national highways, you have 1000 plus railway tracks and you have airports in all places; Vishakhapatnam, Rajahmundry, Vijayawada, Tirupati, Kadapa and now some more connections are being laid. Both regions were together until the other day. So that is the advantage. To conclude I would like to say that despite the challenging times, I remain optimistic that we can collectively overcome the new and emerging barriers to global trade and economic engagement and work out innovative and sustainable solutions that are acceptable to all. I hope that your deliberations today will contribute to this exercise. We are here to exchange ideas, to know best practices, learn from each other's experience. That is the purpose of this dialogue. Know what the available opportunities are and take advantage of the same.

I wish you all success in this dialogue. I also wish that you get an opportunity to explore the Deccan part of the Deccan dialogue after the dialogue itself and explore many treats that the city of Hyderabad has to offer. You can enjoy Hyderabad. First, enjoy the dialogue and then enjoy Hyderabad. Thank you very much, namaskar, Jai Hind.

Shri V Muraleedharan

Hon'ble Minister of State for External Affairs, Government of India

At the outset, I wish to congratulate ISB for successfully bringing back the Deccan Dialogue to Hyderabad and making it an annual feature. The theme of this year's dialogue is Economic Diplomacy in the Age of Disruptions.

Honourable Prime Minister Shri Narendra Modi has always emphasised on the greater involvement of states and union territories in India's external economic engagement. Multi-layered diversity of India demands region-specific external outreach for more efficiency and targeted benefits. As implementing authorities for a vast number of issues, state governments have a lot to bring to the table of international diplomacy and help make it work to solve local problems. With this vision, the Ministry of External Affairs has created the Economic Diplomacy and States Division and has facilitated the states' engagement with the outside world. Through the network of our missions and posts abroad and branch secretariats and regional passport officers domestically, the Division is helping in building institutional linkages and in promoting closer collaboration. Another aspect of the Division's role is facilitating interactions of state governments with the resident diplomatic community

in India to help bring in targeted investment, promote tourism and trade. In line with the Prime Minister's vision, my ministry is closely working with the state governments. The ministry has ensured that all our Indian Foreign Services officers are fully sensitised to the requirement of specific states of their choice. Also, newly appointed heads of missions abroad regularly visit state capitals and meet government authorities and business leaders to build effective linkages between their country of accreditation and our states. It is only logical that MEA's larger strategic vision of geopolitical engagement also finds its reflection in the way our states interact with the world.

MEA has also encouraged a special focus on specific regions of India. For example, MEA has dovetailed the Government of India's Act East policy with its specific focus on the North-Eastern states of the country. Similarly, the ministry has facilitated investment submits like Vibrant Gujarat with special focus on those states that are comparatively less connected like Mizoram, Jharkhand, Himachal Pradesh, etc. Friends, coming to the latest development regarding this aspect of today's discussion,



after the new government under the Prime Minister Narendra Modi has taken oath, the new budget that was presented lays out the vision for the development of the country in the next five years; the vision for a USD 5 trillion economy to be achieved not just through governmental initiatives. There was a period when it was considered that the government will do everything. Now the dictum is that the government has no business to be in business. That is the dictum of Narendra Modi's government. So, underlying this aspect, the \$ 5 trillion economy that India plans to achieve or targets to achieve needs to be through the participation of the community, by the entrepreneurs of India whether they stay in India or abroad. So this is one aspect of the coming five years of India's development. During the last five years of Narendra Modi's government, we have climbed scores of places and come up to 77th position in the ease of doing business. And it has been facilitated through the implementation of many acts like the introduction of GST, which makes our country as one nation with one tax.

Through the review of the policy on various sectors leading to streamlining in recent days, the policy on investment, which leads to further liberalisation. Just during the previous week, we had the cabinet decision on various sectors that allowed 100% FDI under automatic route for coal mining. We have the liberalisation of norms for FDI in single-brand retail trading. And just yesterday, we saw the announcement of 10 banks being merged into

four stronger banks. I read a news item which questions whether ten weak banks can come together to create four strong banks. This is a question, I think, being raised by people who don't understand the real situation. The weakness of these banks, if they are the same, of course, this question has the relevance, but the weakness of one bank could be the strength of the other bank. The strength of one bank could be helping the other weak banks.

“The \$ 5 trillion economy that India plans to achieve or targets to achieve needs to be through the participation of the community, by the entrepreneurs of India whether they stay in India or abroad.”

Dean Srivastava mentioned about the Chinese influence that is coming up. In the Forbes list this year, among 500 powerful economic entities, you have 121 US firms and 119 Chinese firms. We are in a situation where, for the first time, the world economic order is changing and in that the presence of India, which is at the 15th position, and that presence of India when we look at it, we see the State Bank of India in that. And the State Bank of India's presence has been there because of the network that it commands, the national network that it commands. In this connection, the merger of the ten banks will go a long way in strengthening the Indian economy. From our part, the Ministry of External



Affairs, ease of travel has been facilitated by the Ministry of External Affairs by granting e-visa for 54 countries, visa on arrival for 54 countries and 17 countries provide e-visa for Indian nationals. Friends, the digital economy goes a long way regarding the aspect that we discussed today, and that has been one of the achievements of the last five years of the Narendra Modi government.

Ladies and gentlemen, all around us, we are witnessing a rapid change in the way the world works. Though change happens all the time, its extent and pace now is like never before, and that is why the consequences will also be difficult to predict. The sources of these disruptions are of diverse nature, but largely, we can see geopolitical and technological changes spearheading the transformation in the ways we produce, do business, interact as individuals and societies as well as countries. In this age of disruptions, multilateralism is coming under threat when unilateralism and protectionism are coming to the fore. It is important to emphasise what honourable Prime Minister Shri Narendra Modi had said about reformed multilateralism. It is an idea that he first articulated at the BRICS Summit last year in Johannesburg and also reiterated at the G-20 Summit in Osaka this year. He reminded us that BRICS was founded to address the concern that multilateralism needed reform to benefit the developing world. So, a decade later, faced with issues of unilateralism and protectionism, we cannot start to reinforce the status quo of multilateralism as it exists now. Instead, we need to bring about reformed multilateralism. This idea has also been recognised during the recent BRICS Foreign Ministers' meeting in Brazil. In an era of turbulence, it is important to remain focused on the fact that change is inevitable. But we need to embrace change with an open mind. In fact, if we try to resist change, it will only result in exacerbating the problem. Reformed multilateralism would be the best shock absorber in the age of disruptions. The new development bank is a concrete example of a reform initiative as a response to disruptions where countries came together to address a felt need. Restructuring of international financial institutions and other multilateral institutions which are found failing in addressing the current problems should continue to be our concern.

As international trade becomes a hotbed of old and new rivalries, we need to search for better ways to address its

implications. India is committed to promoting a democratic and rules-based international order in which all nations thrive as equals. India firmly believes that economic engagement should lead to mutual development and not unsustainable dead burden and dependence or erosion of economic sovereignty. To be truly sustainable, regional economic initiatives must be based on universally recognised international norms, good governance, openness, financial viability and transparency. With economic diplomacy for development, as our main approach, our emphasis is on building partnerships that are mutually beneficial and in-sync with national economic interest and priorities. Thus, our partnerships are consultative, non-reciprocal and outcome oriented. Friends, pace of change in technology is one of the major sources of disruptions that we experience today in businesses as well as our societies. Technology is constantly changing the way we do business and the way we live. We need better and more rapid mechanisms to cope and adapt to these changes. A lot of ways in which we produce, distribute and consume goods and services today will be made irrelevant by Industry 4.0. Reskilling and upskilling will be necessary for almost all professions to be able to remain useful in the marketplace of the future. We also need to be prepared for the new places and methods of origin of businesses and make the fourth industrial revolution accessible, equitable, inclusive and sustainable. As the single biggest technology revolution that has the potential to transform our work and life, artificial intelligence cannot skip our attention. With India's large pool of technically skilled manpower and the aggregate innovative power of our large young population, we are best poised to leverage this all-pervasive technology of the future. While India is doing great in artificial intelligence research and AI skills and is also one of the leading countries in AI specialists and AI readiness index, we must renew our focus and expand our efforts in line with our national AI policy.

Multitudes of issues in the sectors of health, mobility, agriculture, energy, manufacturing and services, etc. stand to benefit from AI systems and the benefit would not be limited to India but would naturally expand to the entire developing world. Hence, our young entrepreneurs need all the encouragement from public as well as private sectors. Technology-driven startups have the opportunity to even out development disparities and aid in balanced

regional development. In this context, the impact of our government's Start Up India policy has been significant. In the last three years since its inception, more than 15,000 startups have been recognised in about 500 districts of the country, covering all states and union territories. Today, most states have their own startup policy, and this sustained push by the government has also led to a multiplier effect on private sector funding of startups. We are committed to leveraging technological disruptions to make India a \$ 5 trillion economy. Ladies and gentlemen, India has a lot to offer to the changing world apart from our material contribution to the world economy. Our ancient wisdom of yoga, Ayurveda and our heritage and culture has the power to make the hyper-connected world of today a better place to live in. Just now, I am coming from a South American tour, where I had the opportunity to visit Buenos Aires, and I was told that the International Day of Yoga had the largest participation outside India. Around 15,000 people participated in the International Day of Yoga in Buenos Aires, that is the power of yoga that is there. This soft power contribution by India is definitely valuable and

essential to the well-being of not just the economy but also the people and the planet. Our government is committed to development, and we are taking all steps in that direction, whether in the international arena or within India. In this journey, the states and union territories of India are equal partners, and the guiding principle of cooperative federalism is certainly going to be a force multiplier. Hence, dialogues like this are more than necessary to move closer towards the goal of development for all.

I wish you all success in the process and look forward to your valuable suggestions and feedback. Namaskar, Vande Mataram.

“Our young entrepreneurs need all the encouragement from public as well as private sectors. Technology-driven startups have the opportunity to even out development disparities and aid in balanced regional development.”



Shri Niranjan Reddy

Hon'ble Minister for Agriculture and Civil Supplies, Government of Telangana

I congratulate ISB for successfully cementing Deccan Dialogue as an annual flagship event and more importantly for associating its brand with Hyderabad. Distinguished friends, given the current international scenario, the theme for this dialogue could not be more apt. It is true that no single country or stakeholder can adapt to the multitudes of challenges facing us, and hence, to successfully navigate through these disruptions, it is very important for all of us to collaborate with players at all levels.

In the changing dynamics of global economic governance fuelled by rapid advances in technology, many new non-state actors are getting involved in the decision-making process. At the same time, state governments particularly in countries with a federal setup like India have a crucial role to play in enriching and expanding the country's economic engagements and are actively competing with each other in not only attracting investments but also pushing greater integration with the world economy. The government of Telangana has been proactively working on attracting investments to the state and on the other hand, also encouraging the local industries to explore

global opportunities. In fact, Hyderabad is one of the top 20 cities in the world which are successfully attracting FDI into ICT and electronics sector. In order to have a stronger connect with the external world, it is important to know our strengths and opportunities. In the context of my state, I wish to highlight some of the progressive steps that have been taken under the dynamic leadership of our honourable Chief Minister Shri K Chandrashekar Rao Garu.

Understanding the disruptive nature of technologies like IoT, we were one of the first states to come with a policy on Internet of Things, introduced in October 2017. It aims to create an atmosphere conducive for IoT-specific businesses and manufacturing units to thrive in the state. Recognising the importance of promoting innovation and entrepreneurship, Telangana has invested a lot in creating support systems for startups through highly successful initiatives like T-Hub, WE Hub, RICH, etc. Very recently we have also launched an angel fund called T-Angel to support budding entrepreneurs. To boost manufacturing, we are setting up a National Investment and Manufacturing



Zone (NIMZ) in Telangana. This NIMZ will be spread over 12,635 acres of land, and its first phase is expected to be completed by 2020. Telangana is known as the pharmaceutical hub of the country attracting over Rs. 10,000 crores investments in the life sciences sector in the past four years. To further boost investments in this sector, our government is setting up the Hyderabad Pharma City, which will be the first of its kind smart ecosystem creating a new international benchmark for sustainable industrial cities. The project will be developed over an area of 19,000 acres and is expected to attract Rs. 64,000 crores, almost equivalent to USD 993 billion.

“State governments, particularly in countries with a federal setup like India, have a crucial role to play in enriching and expanding the country’s economic engagements and are actively competing with each other in not only attracting investments but also pushing greater integration with the world economy.”

In the agricultural sector, which is my portfolio, I am proud to share that we have started many benchmark initiatives like 24-hour free power supply to farmers, insurance to farmers, which is locally called Rythu Bima, and investment input subsidy that is called Rythu Bandhu,

which other states are now following. With the successful completion of the Kaleshwaram project, the world’s largest lift irrigation project, our honourable Chief Minister’s desire to achieve a crop acreage of 10 million will be realised soon. This will not only boost the agricultural produce in the state but will have a multiplier effect on the whole economy. Friends, for all these initiatives to fructify and achieve the desired results, we fully acknowledge the need to build sustainable partnerships with national and international partners. Hyderabad has many sister-city agreements with various cities across the world, including the in the US, Europe, Australia and Asia. However, many of them are not functional, and it is important to revive the agreements, which I think is the need of the day.

The government of Telangana is also very keen to engage the Telugu diaspora into the state’s development. We recognise the important role that the diaspora can play in strengthening our economic engagement and have placed a special focus on NRI issues. Distinguished friends, Telangana is ready to engage with partner countries within the overall context of India’s foreign policy and set successful examples for decentralised cooperation.

With this note, I congratulate ISB and the Ministry of External Affairs for partnering together and coming up with the Deccan Dialogue, and I wish the conference great success.

Jai Bharat. Jai Telangana.



Shri Mekapati Goutham Reddy

Hon’ble Minister for Industries, Commerce and IT, Government of Andhra Pradesh

First of all, let me tell you how privileged I am to be invited for this second edition of Deccan Dialogue centred on Economic Diplomacy in the Age of Disruptions.

This is a very apt subject to me because I come from Generation X, and Generation X is always known to be disruptors across the world. Disruption is basically of two kinds: internal and external. The internal kind is what we see as financial indiscipline, what we call inflation, political instability, so on and so forth. The external part, I think that is what we are going to be talking about this afternoon session, is basically about the disruptive technologies or adaptive technologies and the international trade wars that are going on in this present global climate. This age of disruption is actually not new to mankind. If my history serves me right, Homo Sapiens have thrived on the disruption technologies – right from the stone age to renaissance to industrial revolution or even if you look at IT

revolutions. Every time there has been a quantum jump for mankind, disruptions have always been the cornerstone of such issues. So, to me, I always look at disruption as not something negative but something which I think is actually going to give us the next quantum jump for humankind. It just so happens that the state of Andhra Pradesh has got a new government, we have a very young Chief Minister, Shri YS Jaganmohan Reddy Garu. I think he does not need any introduction here because of his perseverance and integrity – for the last nine to ten years if you see the fight that he has done and if one were to go by his example his perseverance is what has paid off. And I think in the recent past 50 percent of the vote share had come to this one single party.

When we look at the world economic environment, the world economic scenario, the headwinds that are blowing are pretty strong. Right across the world, we see high levels



of unemployment. And if I am not wrong, Goldman Sachs had come out with a report in August 2019 where they basically said that compared to the previous slowdowns this present slowdown that we are going to see in the world will be a protracted slowdown, but shallower and concentrated in consumptions. As a government, as a policymaker, this does not augur well for us. But we also have to tell you that when we came into the government, we were bestowed with over-borrowings. If you look at the debt to the GSDP, we were standing at a 30 percent ratio, whereas FRBM prescribes not more than 25 percent. If you really see today, 16 to 18 percent of my budget just goes to catering to the interest of the principal. In such trying times, we said how do we take on such headwinds? How do we take on these challenges in government? On the one hand, we see that unemployment growing, and on the other hand, we see technology is leaping by bounds, and this is one of the big challenges that we as a young government faced. So, we said okay, let's go back to our drawing boards and see, in the next five years, we need to progress in this sphere of economic development because without the economic development, without growth in the industries, it is not going to be a happy scenario.

In the last two months, the government of Andhra Pradesh has created nearly 5,37,000 jobs in one instance itself. If I am not wrong, this is one of the biggest job creations that has happened in any state across India. And we looked up a report that was written by McKinsey in 2011 that said that the basic services that people are supposed to be getting, only 50 percent of the basic services reach the people. So, we saw an opportunity there. If we can raise it to 75 percent and if I can create good governance at the same time, if at the same time this gives me a chance to create employability, I said, why not we take this chance? So, that is the reason why we created, and we also said that the administration needs to be decentralised. So, one of the biggest things we have done is, if you see across India most administrations either lie centred in our capital cities or district headquarters or other secretarial staff. We decided that we need to take real-time governance to the people of the villages. Almost 80 percent of the people dwell in those villages. That is why we created village secretariat systems where for every basic service the people from that village need not have to go to the Mandal headquarters or need not have to go to the district

headquarters. Those services will be delivered to you at your doorstep. We all saw an opportunity here: One is that we are creating a great governance system here and secondly, we are also creating employability.

One more thing that we said is that one of the mainstays of the government in Andhra Pradesh has been what we call the Navaratna Schemes. These nine schemes are basically social empowerment, but it is also called freedom from the administration. One of the things what we said is to grow and to commit to ourselves – economic growth and revenue buoyancies are two important points of this. One thing, the state of Andhra Pradesh that the honourable Vice President was so kind enough to say, we have in abundance and one thing we have across India, not restricted to any one particular state, is the abundance of human capital. The state of Andhra Pradesh is bestowed with entrepreneurial zeal. We have some of the top 100 CEOs, top value creation families have come out of Andhra Pradesh. We have considered this as an advantage for us. In fact, we are using this opportunity to clean up house internally. We are saying we need to get fiscal discipline back to our state.

“Almost 80 percent of the people dwell in those villages. That is why we created village secretariat systems where for every basic service the people from that village need not have to go to the Mandal headquarters or need not have to go to the district headquarters. Those services will be delivered to you at your doorstep.”

In the past, as a Minister of Industries, I have seen many times a lot of industrialists coming to me and saying that incentive schemes that were promised to them have not been paid. So, in one of the first meetings that we had with our Chief Minister, he was so prompt in asking us this question: if we are not paying these incentives to these industrialists, how can we expect new investments to walk in into our state? So, he actually said let us bring in the financial discipline into the state first. And I am very happy to announce that the outstanding incentives that have been there for the last five or ten years, that was amounting to

Rs. 2500-2600 crores, 67 percent of it has been cleared, as of yesterday. So, this is the kind of fiscal discipline that we would like to bring in into the state. We have taken ease of business a notch further and said that we will take it down to the district levels because that is where it actually starts – it's your local tahsildar who is the first person, if you need any permission. So, we said that we will involve those stakeholders into this ease of doing business too. What we have also decided is this: we are using this disruption as an opportunity to clean up our house. And we have also embarked on one single agenda in our state. We want to create a world-class workforce. It might take long, but I said this is the time we need to start putting in the foundation for such a workforce. As a government, my job is to create policies; my directive is to create a flawless, implementable policy where it becomes easy for anyone to implement it. Because we strongly believe that it is the policies that are going to empower and enrich the future generation of entrepreneurs or the workforce. And that is

the reason why we have gone back and said we need to get back to the basics of what this is all about.

In one of the meetings, our honourable Chief Minister said: industrialisation but not at the cost of the environment. He said we have a moral duty to the coming generations of India. Today, we should not become the waste bin of the world; every polluting industry should not be invited here. Before I conclude my remarks, I would just like to say that we are also approaching this with very cautious optimism. We do not want to get carried away by centralising any revenue forecasting. We believe that certainly this young and dynamic India is at the threshold of greatness and I think we should grab it with both hands. Because we certainly believe in one thing and that is that development is awaiting us all.

Thank you very much. Jai Hind.



DIALOGUE I RESHAPING ECONOMIC ENGAGEMENT IN A RAPIDLY TRANSFORMING WORLD ORDER - CHALLENGES AND OPPORTUNITIES FOR INDIA

Suhasini Haider

We have about 50 minutes, and I would like to keep at least half of those, if possible, for questions. Because these are issues for a long time have been thought of as archaic and diplomacy and economic engagement is not something that we have really talked about so much, but today it seems to be the only issue, everybody wants to talk about. Trade, economy is on the top of every government's mind and as a result, is at the top of every government's diplomacy. Now, I am on a stage here with four diplomats, so I will take my role as agent provocateur here very seriously and set a little bit of the course that we hope to hear from our speakers about today.

To start with, if you were to look at various global trends, I think a lot of what we try to analyse can be essentially worked into dealing with three basic challenges. And these

are global trends. Every country is looking at these, and every country is trying to find their way through it. What are the three global trends? Many may or may not agree, but there is the retrenchment of the United States from several multilateral fora, from responsibilities in certain spheres, certainly out of world trade organisations in general and the WTO in particular, that is one. The decision of China to take on an aggressive role not just in connectivity but also in terms of trade. And the third would be, and again this would be arguable, the rise of populism, of populist governments in power that essentially then have to cater to the kind of electoral promises they made going in. So around the world, you will hear Make America Great Again, Make in India, I think Britain has a Made in Great Britain slogan as well. But you have got many variants of that in every part of the world. And those are promises people are feeling that they need to keep. Where does this leave India?



PANELLISTS



André Aranha Corrêa do Lago
Ambassador of Brazil to India



Harinder Sidhu
Australian High
Commissioner to India



P Harish, IFS
Additional Secretary -
Economic Diplomacy and
States Division, Ministry
of External Affairs



TCA Raghavan
Director General
Indian Council of
World Affairs



Suhasini Haider
Diplomatic Editor
The Hindu

Because in this first session that we are looking at very closely is how can India benefit, what are the challenges that India faces going into it. Let us remember, we may be between the third and the seventh-largest economies in the world, but we are 19th when it comes to trade in the export of goods; 19th means we contribute 1.65 percent of global exports. So that means that there is a lot of scope and the only way is up from here. We also have a particular point of view when it comes to Free Trade Agreements (FTA). The last time India successfully negotiated an FTA was in 2011. Since then, we have withdrawn from several investment agreements that came along with trade negotiations, and we are trying to figure out how we will go forward in the next few months. So I am setting this course over here, in the next few months, there are certainly three sets of negotiations that India must look at very closely when it comes to economic engagement. The first is the Indo US Trade negotiations, which we hope to see something of in the next month. After that comes the decision on RCEP – the Regional Comprehensive Economic Partnership – of 16 countries and whether India is going to go ahead with that which essentially puts India into a preferential trade agreement if not an FTA with China and others. And the third is a long pending negotiation with the European Union, which is already got 46 or so FTAs around the world, and India is not one of them. It has practically got an FTA with everyone except India. So I am going to first come to the Ambassador of Brazil and ask to set this in the stage of where the multilateral order is going when it comes to trade. What the opportunities and challenges are? I hope I am not giving any secrets away when I say that Brazil and India are in the middle of negotiations on an investment agreement that may well become the first investment agreement that India has signed in seven years.

Andre Aranha Correa do Lago

Thank you very much. I think the first thing that I would like to say is that you described very well the circumstances that we are living in. The structure has been built after the war and during the Cold War and that was not the structure that Brazil had in mind. So at the end of the Cold War and the new circumstances that you described put us in a situation in which we are obviously defending multilateralists, we are great participants of multilateralism. But multilateralism has a structure that does not really respect the importance of both our countries. So the first thing that I want to comment is how we are reacting because I think that Brazil and India are reacting quite similarly. And specifically, in our case, we created two groups that were a reaction to the international multilateral structure. One is the G4, and I think we had discussions this morning about this issue. The G4 is because we are absolutely sure that both our countries and the two others would be extremely constructive in the Security Council. We believe that we need this reform because our countries really have a lot to contribute. The second that comes to mind immediately is BRICS. BRICS is not about the UN; it is about the Bretton Woods. It is not the entire structure, but we are questioning the structure of the UN in the G4, and we are doing about the Bretton Woods institutions in BRICS. But BRICS is a complex group because you have permanent members of the Security Council in the middle of BRICS and so we have IBSA. IBSA is a very important structure that we have created between South Africa, India and Brazil in which we can show how multicultural societies like ours, we are somehow, I thought of it this morning hearing some of the other speakers, we are disruptive countries. People don't know very well to put us, and if we don't find the way to put ourselves, nobody

is going to help us, may as well be situated anywhere. First, I would like to mention this reaction to this complex multilateral structure that was not designed with us in mind. The other thing you are mentioning is somehow bilateral, but which is the Free Trade Agreements. I have to tell you that in these recent months, Brazil negotiates free trade agreements in the context of MERCOSUR and not with Argentina, Uruguay and Paraguay. And we have signed one with the European Union that took 20 years so you should never lose hope. We also signed one this week with EFTA, and I think we would be very happy to start negotiating with India and discussing the possibility of a free trade agreement MERCOSUR India. But these mechanisms that we are developing, I think we have to put them in the context of an agenda. And I think a very legitimate agenda that has appeared in recent years is the issue of sustainable development and I will tell you why. I think that the sustainable development agenda as it was designed for 2030 has been not only heavily discussed between all the countries but also in civil societies, and it was very well received by business also. So I think that this is the agenda and then we have to have the instruments to achieve this agenda. And I want to say since we are here in this economic discussion in a wonderful business school I want to comment that I think in this agenda of sustainable development, climate change, all these great subjects of our time, that we all agreed are a priority, what is missing is economics. I think we started with science, we continued with politics, we continued with the business, we continued with civil society, but I think the economists are still not contributing enough to that. When we are talking about the economy and trade and what we have to do, I think we have to have much more thinking about how to fit this into an agenda of sustainable development.

Suhasini Haider

Part of what we are discussing today is the disruptive factors, is Brazil looking very closely at the US-China trade war and how to benefit from it and how it is an opportunity?

Andre Aranha Correa do Lago

One of the things that we see in the post-war is that, in principle, you don't need to be on one side or the other. I know we should not talk about that officially, but G2, the two largest economies in the world, it is completely normal that they are having all these difficulties, it is

completely normal. But I think that our countries have to put themselves in the position that by the way President Trump proposed in the General Assembly is that he says he defends America first, but every country should defend themselves first, so, I think that we have to do that when we analyse the US-China difficulties

Suhasini Haider

If I could come to the Australian High Commissioner – Harinder Sidhu. Ambassador Correa do Lago spoke about the idea that business is very positive. In fact, I would posit that in India industry has always been very, very wary of FTAs. In the recent negotiations that we are looking at and you are part of two separate negotiations – one is the CECA that I think has gone through 12 or 13 rounds already and the other is the much larger RCEP which may actually make the CECA not so necessary if it does go ahead. Give me a sense of not just India's engagement with RCEP but India's engagement in general with FTAs and what are really the benefits because we always hear much more about the fact that FTAs haven't really worked for India and that in fact if you look at all the countries that India did do FTAs with before 2011 India has got major deficits that have grown.

Harinder Sidhu

Thanks, Suhasini. Can I just start at the outset by saying Australia has gone through many rounds of economic reforms and liberalisation. And it has not been our experience either that business thought it was a good idea at that time. So it is not unusual that business will push back on this. If we are going to talk about disruptions, how I would come at it is probably three key disruptions that we are talking about. One is the transformation of the global economy. So it is the sorts of things that we talked about this morning; the shift in manufacturing and other industries towards the use of technology, towards artificial intelligence, robotics all those sorts of things. The second is the shift in economic power from west to east, and that is actually creating some structural changes as well, not just China, by the way, but that also includes India. And the third is these headwinds that we talk about, the protectionism that is going on, the trade tensions that we are seeing, the use of economic power for strategic ends. All those things are starting to bring questions into the economic story that we are grappling with that go beyond

strictly trade and business. So things like FTAs take on a whole other dimension. And I think we might need to consider what we might need to do to approach that. And free trade agreement is only part of the story. The first part of the story, I think, is to recognise that we are not going to be able to do this alone. And free trade agreement or not, Australia and India have built a very, very strong economic relationship in the last ten years or so. And I was looking at the trade statistics just over the last five years, and we have seen it grow on average 15 percent per year, year-on-year over the last five years, 10 percent alone in the last year. So that is a sign that there are economic drivers that build relationships between countries that don't entirely depend on a free trade agreement. And this is very important because there is a strong temptation when you are seeing all these protectionist measures that are being taken to also raise the walls yourselves. History shows us that the short-term reaction has long term consequences. To actually retreat into isolation creates risks in the long term. When the world is moving the way I have described so fast through technology etc., and this is something that Australia is grappling with, we are also facing the same push-back and tensions and the temptation is to withdraw, but we know that we are not participating in the global economy, we are not making ourselves more competitive and keeping up, for every year that we fall back, that is another year that we will find it harder to catch up to the global economy. So free trade agreements are part of that story because they are about not doing it by ourselves but doing it with partners bilaterally and also through things like RCEP. It is about bringing that sense of confidence that we can actually deliver instead of, you know, it is very

difficult for one country to stand up and say we think that open trade is the answer. But it is much easier for 15 or 16 countries to group together and actually demonstrate the power of open trade, regional integration through a thing like RCEP. And I think what you really need to start all that which is actually confidence that history says, we know this from many historical situations that when you open a liberalised trade, economic growth will follow. And I think that is the driving thesis behind RCEP. I know that there is a worry that RCEP will open India's doors to 15 other economies, but the other way that you can think about it is that RCEP opens the doors for Indian businesses into 15 other markets and that is actually a really important recipe for the kind of results the government here is trying to achieve. And that is something that we truly believe in Australia. It has been our history, our experience, the result of our economic liberalisation and economic reform in Australia has been 28 years of uninterrupted economic growth. So uniquely amongst developed countries, we did not suffer an economic recession after the 2008 global financial crisis, for instance. So this is something that I guess I am just giving you the Australian perspective. But this is how we see things.

Suhasini Haider

I will tell you straight away how India sees it and how Indians see it. Sure, there is one problem with being flooded by goods from many other countries, including China. There is a problem with FTAs, in general, not benefitting us. But the real worry is when you say that India will open itself up to economic growth as well, the truth is that trade in goods is not the only thing that India is worried about. We

“Let us remember, we may be between the third and the seventh-largest economies in the world, but we are 19th when it comes to trade in the export of goods; 19th means we contribute 1.65 percent of global exports.”

- Suhasini Haider





“In today’s context attracting investments has taken over the focus on trade. Getting back to focus on trade is an important metric to look at”

- P Harish

are worried about trade in services, and we see economies around the world closing up so they say, please open up your economy so I can sell you products and I can take some of your products in exchange, but I am not taking any of your people.

Harinder Sidhu

I suppose there is no easy answer to that. But I think the thing to do is to try and work through these issues as they come about. From time to time, we all face trade barriers. In fact, Australian business would say India is a really difficult market to sell goods to, but even so, we find a way. And I would say the same for India. So India may feel that it is very difficult to get their professionals into other countries, but actually, evidence shows that there are probably more Indian workers in other countries. In the case of Australia, fully 25 percent of all our temporary work visas go to one country, which is India, and the rest is shared around the 192 countries around the world. So India is phenomenally successful because India has talent. And that is really in the end if you are competitive this is the point I am making. If you are competitive, you will always find a way into these markets.

Suhasini Haider

All right, if I could put you on the spot, we know that there is a little countdown clock on the ASEAN website that tells you exactly when they expect RCEP to be signed, which is November 1st this year if it all goes through. Of course, you have already painted the picture that we expect to see, what happens if either RCEP is stopped or RCEP goes ahead, but India is not a part of it? What does India stand to lose?

Harinder Sidhu

Wasn't Mr Harish going to answer that question.

Suhasini Haider

He is going to sum it up at the end.

Harinder Sidhu

I talked about how there is a growing merger between economic actions and strategic consequences. RCEP is more than just an economic agreement. It has strategic consequences, if you are trying to work to integrate India as I see the Indian government doing. Look at the success of the Indian government's actions here. The world has embraced India. If you are trying to do that, you cannot do it in one area alone; you can't strike a set of strategic agreements and then sort of assume that it is going to work. The world is not working that way. The virtue of RCEP is not only that it opens the door to economic growth and liberalisation and trade and engagement with the regional community, but it also deals India in into the Indo Pacific community in a very serious way. And I think that the size of the Indian economy, the size of the Indian market, means that on many things India is a game-changer, India is a swing state, we see this in technology all the time. The lowest renewable energy prices, India's ability has been to actually drop the price of renewable energy, and that does not make it more accessible just in India, it makes it more accessible around the world. Those are the kinds of things that India can bring to the world, and there is a genuine benefit to India being a part of RCEP which you know this, I am very supportive. I think it is important, and I would do everything to encourage India's continued engagement, and Australia is very supportive of that.

Suhasini Haider

We are going to get to Harish in just a bit, but if I could come to you, Ambassador Raghavan, who is also the Director-General of the Indian Council for World Affairs but has served in the region in particular. The fact is that FTAs are not just about free trade agreements anymore. They are about regions coming together. So today, you have the EU, which is the most regionally centralised business if you like, I think they have inter-regional trade at about 55 to 60 percent. You have the US and China, their trade dipped. Which were the two countries that benefited? It was actually Canada and Mexico because they already had their North American free trade agreement reworked and in place. Now you have something called RCEP. I want to ask you a little about India's own region because we always forget that the one multilateral free trade agreement that India was a part of was SAFTA – South Asian Free Trade Agreement. And yet in our region what we are looking at is an inter-regional trade of 5.5 percent, I think it goes up to 6 percent at the maximum. And if you could also just bring in the issue of connectivity here because we saw even India go a little further in the region to a country like Iran and then find that connectivity seems to be a mantra that everyone uses, but it is the most prone to disruptors that we have seen.

TCA Raghavan

Well, when one talks about economics, the point is that politics always intrudes. SAFTA, as you said, was the great white hope a decade and a half ago, but geopolitics made sure that it would not succeed. Now, this is not something peculiar to just India and Pakistan or South Asia. If you look at what is happening between South Korea and Japan today, these are two highly integrated economies. They have supply chains that have been built up over the last 30 years over the whole range of economic activity. In fact, every single one of their major agreements and major regimes constructed over the last 55 years is tottering because of a debate and a division over issues that happened 75 years ago. So I think in Asia, and this is something that we are going to have to live with, the geopolitics will always intrude into the economy. And if we think that economic integration is the silver bullet to solving political problems, I think we have to think again. We have to address politics as an autonomous realm, and there I think for India, the situation is actually very

complex because when one looks east, and we spoke about RCEP and ASEAN and so on. There is a whole world of opportunity because you have very strong bilateral arrangements, which are also buttressed by equally strong or potential economic and regional arrangements. But when you look to the West, and you look at the Arabian Sea littoral, and Iran is only one example, you have strong bilaterals, but there is virtually no regional arrangement. And every country in the Arabian Sea littoral has major disputes with one or more of its neighbours. Now both the Arabian Sea littoral and the Bay of Bengal littoral are very much a part of our immediate neighbourhood. So when we talk about economic diplomacy, if we think of constructing an economic programme without focusing on the political, it will always run into these issues. One final point about connectivity; I think this is something in which everyone keeps repeating that while we can focus on our external engagement, the real challenge for us remains domestic. And certainly, one great achievement was, for instance, improving our ease of doing business index. But the challenge for India is how we bring about greater convergence between the ease of doing business index and the HDI. Because your HDI is really not what it should be for a country of India's size and the size of its economy and the way it wants to engage with the world.

Suhasini Haider

All right, if I can push you a little bit just on this South Asian problem, where do you think South Asia really suffers? Is it in terms of just the political issues? Sometimes you even think about the unthinkable that is India and Pakistan, and you say that in the year the World Bank came out with the study, that was called Glass Half Full, and said your potential is at least \$ 40 billion. That is the year in which India dropped the MFN status for Pakistan, and Pakistan has now cancelled all trade with India. Is it at all possible to imagine a world where I know you said politics always bleeds in, but is it possible to imagine a world where when you look on the other side, Pakistan is the biggest market for India? We can talk about Sri Lanka, Bangladesh, Nepal and all the rest. But in terms of sheer size and connectivity, Pakistan should have been a no-brainer, it should have the kind of 75 years we saw between South Korea and Japan.

TCA Raghavan

I think there are huge possibilities, and I don't think we



“While we can focus on our external engagement, the real challenges remain domestic. The challenge for India today is to bring convergence between the ease of doing business and the Human Development Index.”

- TCA Raghavan

can ever say that the situation is so bad that the future is entirely dismal. The Vice President said in the morning that our neighbours are permanent. We have to address relationships with them. But I think when we look at the region, and especially India in the context of South Asia, we have to be sensitive about our size and the fact that however large and however big our neighbours may also be in absolute terms we dwarf them entirely. So when we talk about markets, every neighbour has a point about the balance of trade. And they say that you are so sensitive about your trade imbalance with China but why aren't you equally sensitive about our huge trade imbalance with you? And I think the way forward certainly will be being sensitive to our size and making sure that their particular sensitivities on issues which are central to their economic thinking are taken into account.

Suhasini Haider

All right. To come to P Harish, all of this comes on to you simply because you are dealing with the international situation, you deal with the disruptors there, you deal with the challenges of regional trade, you deal with the other challenges of dealing with businesses and then you have the other problem of ensuring that every state gets its share when it comes to the central pie. What are the sorts of tools? what is the way forward? Where do you see India going in response to some of the challenges that have been brought up by the panellists? And what are the tools that the Ministry of External Affairs, in particular, needs to equip itself with or is equipping itself with?

P Harish

I think, for the benefit of the audience, what we should be very clear about is that historically and civilisationally, India

has been an outward-looking country. We have been a maritime nation from the time of the Harappan civilisation. The port of Lothal, trade with Mesopotamia, so we have been a trading nation from antiquity. It continued during the Guptas, it continued during the Cholas, we have always been outward-looking, we traded. We had a significant share of world trade. And this included the exchange of ideas that went along with trade, whether it was to the platform of Buddhism, of Hinduism, of Islam, of Judaism, which moved places, we have been part of these movements of ideas of people and goods and services. There has been a hiatus in the middle ages, and after that even during the British colonial period, we have had a significant part of the trade as part of the empire. It was the Indian rupee which was traded as currency in most parts of the Gulf, and we were a very outward-looking country. There was a break after independence for a couple of decades. And since the economic reform programme again, trade has been and continues to be a very important part of the agenda. However, in today's context, attracting investments has taken precedence over a singular focus on trade. When you look at other countries, countries like Singapore, where bilateral trade is about 250 to 300 percent of GDP. Even for a country like Vietnam, it is 200 percent of GDP. In our case, trade has probably not received the same attention both at the level of state governments and at the level of business and industry. So I think getting back to focus on trade would be a very useful metric for us to look at and for its contribution to the overall economic engine. If you look at the broad aspects, one aspect which we need to look at, Ambassador Raghavan pointed out to it. At the level of aggregates, our figures are very good. We are in nominal terms the sixth-largest country economy. In terms of PPP, we are the third

largest. But if you look at the disaggregated level in terms of the per capita GDP, our per capita GDP is still in the range of \$ 2100. Again, if you look at the production of milk, production of rice and various indicators in agriculture, we are again in the world's top producers. But if you look at crop productivity per hectare, a lot leaves to be desired. In crop after crop, our productivity per hectare is much, much below the global level, and certainly below the leaders in these particular crops. The same holds true for socioeconomic indicators, health indicators, nutritional indicators. So I think that there is a huge disconnect between aggregated reality and disaggregated reality as far as we are concerned. And that is where the government's focus is. We have achieved a certain stage of economic development, and now the focus is on human development and making available the tools for each of our citizens to reach their full potential. And this is where the future focus of the government's efforts and economic diplomacy is going to be. What do we do to ensure that the figures at the aggregate also reflect at the per capita disaggregated level so that it makes a tangible difference in the lives of our citizens? In terms of other issues, yes, we talk of free trade. But institutions of global free trade, especially in the case of the WTO, have not been as effective in the last few decades. We have, of course, issues of trade diversion, we have FTAs, we have regional agreements, we have PTAs, and every country is scrambling to make sense of it, to see that they are not left out of this process. And in the process,

there have been massive systemic economic inefficiencies that have been built as a trade diversion going on in every geography and sub geography. So while we talk of free trade, it is not actually free trade in a global sense or economic sense, what we have is a mélange or a noodle-bowl of free trade agreements and PTAs, which countries are entering into due to a desire not to be left out of the process. And I think in this, while India has entered into a number of free trade agreements, what we also see is a de-tariffisation of these free trade agreements. So every major player has brought down their tariffs to zero or near zero, and they are happy in the situation that their tariffs are low. Yet what we see is a huge increase in non-tariff barriers being erected. Now we have not been able to play this game as our free trade agreement partners have done with the same dexterity. So we have a situation where we have entered into agreements, but our exporters face a significant obstacle in dealing with non-tariff barriers. So the de-tariffisation of the so-called free trade has been a significant factor not just for India but for major economies including the US. For example, yes, most free trade agreements have a strategic angle; they have a strategic element. And yet a country like the US has chosen to move out of the TPP precisely because of the de-tariffisation and the erection of non-tariff barriers, which has generated a domestic backlash. So governments can no longer afford to ignore the cry of the industry and even of the common citizen that these free trade agreements and de-tariffisation,



especially for countries who would play by the spirit and the letter of the free trade agreement, they are at the receiving end if you are not in a position to erect the WTO compliant non-tariff barriers in effect blocking access for your free trade agreement partners. So this is something which all governments have to take note of, and probably it is this development that has prompted even the US to withdraw from the TPP. So I think in India we are going through a consultation process. The government is actively consulting business and industry and taking feedback. You are from the media; you see every day the reports of the CII, FICCI, ASSOCHAM, and they will give you an idea of the de-tariffisation phenomenon; the erection of non-tariff barriers with each of our free trade agreement partners which has effectively shut out these markets and prevented market access for their exports. So I think this is something that we need to address. Yes, there is a security angle to free trade agreements; there is a strategic angle to free trade agreements. Yet we also have to keep in mind the effective WTO compliant procedures being used to stymie the implementation of the spirit and the letter of these free trade agreements. And so, no government can afford to ignore it. The US cannot ignore it, and our government is in consultation with all stakeholders, including business and industry stakeholders. So that is a process that is still going on, and I would not like to pre-guess or prejudge it. So I think we should wait for that process to complete. And I think in terms of other elements that are likely to have an impact on the future trend of globalisation and other issues, I think we have to keep in mind that, yes, political factors are important, geopolitical factors are important, yet there are also significant factors which are in its essence very economic in nature. Like for example, the issues of economic inequality within nations

“The very legitimate agenda that had appeared in the recent years is the issue of sustainable development. It was received well by countries and business societies also.”

- André Aranha Corrêa do Lago

are issues that are impacting the future course of economic integration globally, the issues of immigration have assumed far greater importance than the whole matter of geopolitical developments. So I think more than earth-shattering geopolitical developments, issues like immigration, climate change, economic inequality and job situation within countries are having and proving to be far more significant determinants of the future of globalisation and what course they would take rather than big bang geopolitical developments. I think we also see new developments in the rise of new financial institutions, both regional and global. And again, here I would say that yes there was a time when you had global institutions, there was a time when you had regional institutions, but increasingly the preference is for plurilateral institutions, coalitions of the willing. Ambassador just pointed out to IBSA and various other organisations. We have trilateral initiatives; for example, on development partnership with Africa, Japan, we are trying to do with France. We have various other initiatives with like-minded countries in various geographies and sub geographies of the world. So I think the plurilateral mechanisms will increasingly see where there is an element of semi-formality. There may not be formalised structures or institutional structures. But these are coalitions of the willing, and these seem to be the way forward. And I think as a country we remain committed to remain engaged with all of our partners to see what is best for our business industry and our citizens and yet to be open to global developments, to be engaged with the outside world and to take full advantage of regional mechanisms and international mechanisms.

Suhasini Haider

Four years ago, India did away with all its investment



agreements. The question really, do you see the future with India signing a whole slew of investment and trade agreements all together because this is a multi-polar world? Which is the first one you see us doing?

P Harish

I think we are in the process of constantly signing a number of investment agreements with the same partners, and most of them have reached completion with the same partners. But again, it is the same problem. Just like you have a de-tariffisation of so-called free trade, you have also had many things that were not with the spirit and the letter of the agreements that crept in, in terms of our investment agreements, which had led to distortions. So this was an attempt to correct it, and I think our partners understand it, and that is why we have negotiated new bilateral investment treaties in good faith.

Suhasini Haider

Very quickly I do want to ask since you brought up tariffs so many times, India is also called tariff king by one particular country. The case of Harley Davidson comes to mind. Do you think, we are now in a situation and how much pressure do you feel in the department that you are in, do you feel now that trade relationships are bleeding into your political relationships, in other words, the opposite of what Ambassador Raghavan is talking about.

P Harish



As I said, we have to keep in mind that a lot of our trade relationships would be guided by its eventual impact on common people. And I think this is something we cannot ignore, and as Ambassador Raghavan said domestic issues are very important. And it is not really big bang geopolitical issues but domestic issues and the well-being of our citizens that is very important to any elected government. So I think that when we look at this, the focus is how do we craft our international engagement in a manner that it elevates, empowers and gives more choices to our own citizens rather than the other way around. I think this is the focus, and that is why whenever there is a relook at some of these issues, it is only because again, I repeat, probably we have not played the game as our partners have. But then we didn't understand the game. So I think we have not primed up our industry to take advantage of the various provisions of the free trade agreements that we signed. We did not bring greater awareness and did not engage the industry like our partners have. I see many partner countries before they sign a free trade agreement, there is a three-year lead time when they prime their industry to take advantage, and, in its roll-out, you are constantly engaged with the industry. I think that kind of engagement we didn't have. And probably as I said, we didn't understand the game. And when you deal with non-tariff barriers, I think we are completely flummoxed. So I think now there is a realisation that this is the reality and we need to deal with it.

Suhasini Haider

You see the diplomatic answers I am getting. I am quickly going to take three questions from the audience and come back and close it over here.

Audience Question 01

My name is Dr Bharat, and my question is to Mr Harish. We are talking about economic diplomacy, and we being one of the biggest nations in the world, we are talking about a billion-plus population, my question is how effective is this diplomacy that India takes forward to the world with so many problems in our backyard?

Audience Question 02

My question is to Mr Harish about the difference between aggregate reality and disaggregate reality. Talking about economic inequality and especially sustainability, how are national governments and foreign governments thinking about it because what I see is investments and again the same cities where there is development already, for example, I was part of a UP Investors Summit, so I was hoping that investment will be there in Tier-II cities, but again it was Noida that I was hearing about. So what are we planning about that because unless we address more development in Tier-II cities, reducing economic inequality through trade and not just national policies?

Audience Question 03

I am Pradeep, and I would like to take a cue from what

our Vice President has said about the three Cs; cinema, culture and cuisine. None of them were promoted by the government. And our Minister from Andhra Pradesh was saying that IT also has come up on its own and not because of the government. So I would like to know one thing. Are you seeing any more such things coming up, are you looking for any trends, are you looking for any strengths, other strengths within the country?

Audience Question 04

I have a two-part question. How do we define trade, keeping in consideration that there are so many free trade agreements which have been signed since the 1990s, early 80s? Many of them have been complementing the earlier free trade agreements, many of them have complemented them, contributed to the free trade setting to an extent and many of them are conflicting in nature. From our country's perspective, how do we ensure that these three Cs; complementing, contributing and conflicting have been mitigated when we are doing a new free trade agreement?

P Harish

I think you are very right but again you heard our Minister of State mention this. He said that the Prime Minister believes that the business of government is not to be in business. As you rightly said, these three Cs are something in which the government has not had a role; this is inherently cultural. And the IT industry too there has been a lot of impetus

from the business and industry. So I think it would be very appropriate to say that the role of the government is only that of a facilitator, and if the industry wants any particular aspect of facilitation, I don't think the government inherently believes that it needs to be in a particular business sector. Its role is to help the industry in that particular sector based on a felt need and a request made by the industry. And I think that is the way, for example, we would look at our work too. If we are to facilitate any aspect of a business, it is only facilitation, and that is what we do whether we are taking members of the diplomatic community to some of our state capitals, whether we are partnering with ISB in organising conferences like this, like the Deccan Dialogue. It is only facilitation that we are doing. And I think the larger issue, yes, trade is important; trade can create jobs. And if you look at issues that can be addressed from within, I think a much more focused effort on trade, tourism and agriculture, these are three things that can really transform and really make material change to the lives of many of our citizens, and hence, a focus on some of the disaggregated data; if you can improve per hectare crop productivity, double it or triple it, it will make a huge difference in the lives of our farmers; if you can enhance and make available export markets by aligning it with GAP or good agricultural practices and enable their exports, it will instantly improve the lives of farmers.

Suhasini Haider

I am going to ask the two Ambassadors to take the question from the lady who said, "how do we ensure that it is diversified?". Where does investment come in and where does trade of other countries come in? And if you want to give this to us very quickly, just three places where

you think India really needs to up its game when it comes to trade?

Andre Aranha Correa do Lago

I think in that context, we have to remember that all decisions of trade, free trade agreements, etc. they are not objectives, but they are instruments. We have to have an agenda, and our countries, in the case of Brazil and India, have so much that we obviously have a need to organise ourselves, our priorities, what the government has to insist, what the society has to build, so that we attract, for instance, foreign direct investment. I am going to tell you something that is surprising, but Brazil has been growing, as you know very slowly, even amazingly slowly compared to India. But we had a recession, this year we are going to grow 1 percent. But in 2016, we were the seventh biggest destination for foreign direct investment, and in 2017, we were the fourth biggest destination of foreign direct investment. Why? Because the numbers have to be interpreted into what really the potential and the reality of the countries are. Sometimes I get tired when people talk about the potential. We are already incredible economies, we are already incredible societies, and I think that this is what attracts. Now, concentrating on how we sign the terms of the agreement, etc., I totally agree with you. Because you create terms of the agreement, you sign the agreement and then you have a series of new things that are created so that the agreement doesn't work the way that it should. So I am quite optimistic because of our societies, because they have the potential to bring much more ideas and much more opportunities to attract from basically everywhere. I am sorry to say that, but if you take some countries, some countries are much smaller than our



"There are economic drivers between countries that do not entirely depend on free trade agreements. If you are competitive you will always find ways into the world markets."

- Harinder Sidhu

countries. These countries have a small population; they have to do things at any cost because they have very few options. Maybe we have the problem of having too many options, and we discuss a lot. We love to discuss a lot among ourselves.

Harinder Sidhu

I think there are probably two points that I need to make here. One is that in designing free trade agreement more generally, I am only speaking for the Australian experience again, there are two elements that we do. One is that we actually look at, obviously inputs by business and there is a long engagement with business, I was very happy to hear that recognition on your part. I think that is exactly right, Mr Harish. But the second part, how we come at it is look at the link between domestic economic reform and what we are trying to get out of the free trade agreement. And domestic economic policy, the domestic economic reform piece is about balancing the inequality question. When we do that, of course, we don't take a short-term view. We are looking at a free trade agreement that has a life of many years or decades. So what is the economic point we want to get to in say 30 years' time? And so even if a domestic reform might cause some short-term disruption, is there a long-term gain to be doing this. The inequality question is looked at in terms of the domestic consequences and the domestic potential that we can reach by using the free trade agreement, so that is one point. Last, about the sorts of things that India needs to look at, and it is terrible for Ambassadors to advise because what would we know, we have been here only a short while. But just one point; there is a linkage between trade and investment. Many people would say India has barriers to trade. It has very few barriers to investment. The liberalisation here of investment has been phenomenal. But the difficulty is that I think you will get some investment in some areas, but if there were more trade, the investment would flow. I can give you an example. Australian agricultural producers that have been working with the Indian system recognise that there is a value in investing in distribution networks in India, in building silos, in managing those sorts of things

and building the supply chain that India needs not so that it helps their trade, but also so India can perform more efficiently. So when we are thinking about trade and tariffs etc., thinking about how that links to the investment story is one thing that is actually worth considering.

Suhasini Haider

I know we are running short of time so very quickly how do we become a \$ 5 trillion economy when our backyard is on fire?

TCA Raghavan

You can't look at any region of the globe where somebody or the other's backyard is not on fire. All neighbouring country relationships are difficult. And I think this is almost like a law of nature. But just this point about the number of FTAs and do we have the bandwidth, I think it is an important point. Because there is also the question of, "is there too much government?". And what Harish said about how we failed in reaching out and educating business about what FTA contains. We have had this debate in the Ministry of External Affairs, and it was almost a national debate for 15 years about the size of the MEA, that it is much smaller than it needs to be. We have never had this debate about the commerce ministry which does so many FTAs and do they have the bandwidth. And I would say that the question is not so much about is there too much government but where does government focus its efforts and we certainly need much more government in administering FTAs, educating people about FTAs and reflecting industry concerns about FTAs.

Suhasini Haider

With that, I am going to hand it over to you but a round of applause for some very forthright views from the diplomats.

DIALOGUE II TECHNOLOGY AND TRADE – NEGOTIATING NEW FRAMEWORKS FOR INDUSTRY 4.0 AND SOCIETY 5.0

Nandu Nandkishore

Good afternoon, all. Let me quickly introduce to you the panel and not necessarily in order. There is Ajay Kumar at the far end. He is an Indian Foreign Service Officer, Joint Secretary in the Ministry of External Affairs, Government of India. There is Jayadev Galla, the honourable Member of Parliament and Managing Director for Amara Raja, the biggest producer of batteries in India. We have Jayesh Ranjan next to Ajay. He is also IAS, the Principal Secretary for Industries and Commerce and Information Technology, Government of Telangana. There is Joel Reifman, US Consul General in Hyderabad. And next to me, there is Suresh Chukkapalli, honourable Consul General of Korea in Telangana and Chairman Emeritus for the Phoenix Group.

With that, we get started. It is a big topic that we are going to talk about today: Negotiating New Frameworks for Industry 4.0 and Society 5.0. When I saw this topic, I got so intimidated; I had to Google what Industry 4.0 meant. And I discovered that apparently, Industry 1.0, the first industrial revolution was all to do with steam and coal, Industry 2.0 was the big revolution caused by electricity. And believe it or not, in the early days of electricity, most companies, and there were companies and listed companies in those days in New York and London, the big financial centres, most of them had a Vice President of Electricity. For those of you who are planning to have Vice Presidents of Digital Transformation, you might want to think about that a bit. Industry 3.0 was the technology and internet and data-based revolution, and Industry 4.0 is the one that is growing



PANELLISTS



Joel Reifman
US Consul General
in Hyderabad



Suresh Chukkapalli
Chairman Emeritus,
Phoenix Group,
Honorary Consul General,
Republic of Korea



Jayesh Ranjan, IAS
Principal Secretary,
Industries and Commerce
(I&C) and Information
Technology (IT),
Government of Telangana



Ajay Kumar, IFS
Joint Secretary,
DPA I, MEA



Jayadev Galla
Hon'ble Member of
Parliament and
Managing Director,
Amara Raja Batteries



Nandu Nandkishore
Professor of Practice,
ISB

out of 3.0, which is the one led by artificial intelligence and the Internet of Things and so on. So it is a big topic and a lot of challenges that we will talk about today. What is complicating life is not just Society 5.0 for which I have not found a definition, but I presume following the industrial revolutions? But also very realistically, the Environment 2.0 within a human lifetime, we are responsible for one of the biggest extinction of species around the world, and with climate change and all kinds of things happening, all of which impact the way we do business and what we do. There are a few interesting directions that we could take the whole discussion in. Let me just list a few of those directions. The first direction is to talk about the purpose of business in itself. Just a couple of weeks ago, there were 300 CEOs in the US who came out and said creating shareholder value was no longer their responsibility, and that made me think. To my delight and surprise, The Economist followed last week with an editorial that said, watch out because when you don't create shareholder value, you don't create any value for society, and you are not responsible to anybody. But it is an interesting discussion; what is the purpose of the business? What is the role of government in this purpose of the business? What is the role of governance? And given especially all the recent alarms on Environment 2.0 and the increasing disparity of wealth between the rich and poor in almost every society given the digital divide, these are interesting concepts to discuss and to what extent has sustainable value creation in fact been an essential part of wealth creation and lifting people out of poverty in the last so many years. That is one angle we could take. The second whole topic of discussion is to do with the rise of artificial

intelligence, the rise of artificial general intelligence, if that ever happens, the Internet of Things and the impact on job creation and job loss. Because if indeed AI and AGI and the Internet of Things start to create technologies that make jobs of today obsolete, then what are people going to do? What are the jobs of tomorrow? And when I ask this question to industry leaders, typically they say we don't know because they haven't been invented yet. So how do you educate people, how do you prepare people for the jobs of tomorrow that don't exist? Or can we predict that some jobs already do and will exist. And it is an interesting whole area of discussion: what is the responsibility of governments? What is the responsibility of the industry? What is the responsibility of civil society in preparing people for this big disruption that is happening right now under our noses? Another entire new direction that you could take is to talk about how we could use digital technologies to enhance governance, enhance healthcare, to enhance education? And what are the implications even for the government? Because when you use digital technologies on a vast scale, maybe you don't need big government anymore. This is shock and horror, I know, for a lot of people in the audience, but things can happen. It is an interesting line of speculation and discussion. The other big area of discussion with this whole thing of technology and artificial intelligence is the challenge of globalisation as an engine for growth versus the new-found fears of protectionism. How are societies, in fact, driving one or the other depending on where they sit with a 21st-century perspective? And I saw the previous panel already talked about this issue at length, but nevertheless, maybe we can add a few interesting points of view from our panel

as well about capitalism and where does it go, was Trump right when he said capitalism will eventually collapse of its own accord or does it still have life in it and where does it work, what is the nature of that life? And related to this, different parts of the world seem to be at different stages of development. Africa increasingly looks like the India of 30 years ago. So are we talking about Industry 2.0 or 3.0 or 4.0 for them, is it different horses for courses? What does it mean for India? And what does it mean for the other economies? What does it mean as a fundamental demographic change that nobody talks about, which is an age in societies? That is huge. People don't realise this, but China today has 300 million people above the age of 60 or retired. That is incredible. India is not far behind. We are also aging. So to start off, I am going to invite each of the participants on the panel to speak for about three to four minutes with their point of view, and then we will start to ask them questions, and we will have some interaction and eventually with the audience as well. Let me start by asking Joel Reifman, Joel, could you enlighten us with some points of view.

Joel Reifman

Thank you. I am Joel Reifman, and I am privileged to be here today, and I thank the Ministry of External Affairs and ISB, and it is really my honour to support a relationship between the United States and India in the state of Telangana, Andhra Pradesh and Odisha. I probably have the least expertise among everyone on stage and also personally as far as technology and trade go because I joined the Foreign Service 25 years ago, and I know I am old when new officers who are working with me at the Consulate, they could have been my children. So what we really see is the promotion of, as I see it, the relationship between

“What is complicating life is not just Society 5.0...but also very realistically, the Environment 2.0 within a human lifetime. We are responsible for one of the biggest extinction of species around the world...all of which impact the way we do business and what we do.”

- Nandu Nandkishore

the United States and India. And so, I am thrilled to be in India. I have served in both Pakistan and Bangladesh. And here, this relationship could very well be the defining bilateral relationship of the 21st century. I am thrilled to be in Hyderabad because Hyderabad is an exemplar of what especially good investment policies are and a window to good trade policies. Trade and technology are inter-related, and I am very proud that the United States has been on the vanguard of that everywhere from the cotton gin to the Eiffel. But right now, I have seen it in myself; we are undergoing an age of unprecedented change, and where we are going to end up, you mentioned artificial intelligence, I am no expert on it, I know there is a very interesting debate between Jack Ma and the Head of SpaceX – Elon Musk. Is it going to be something scary, something out of a movie Terminator or is it going to be something that we can control? What is it going to do with jobs? What I would say is that the changes that we have, first of all, data. Right now, data flows account for USD 2.8 trillion of global GDP. And now cross border data flows generate more value than traditional flows of traded goods. And so, therefore, the world economy is predicated on the ability to move data easily across borders without impediment. And new technologies such as 3D printing means that again, data is accentuated because even if there is a tangible product at the end of the pipeline, it goes through the data flow. So this change is underway, and we have to adapt, and we have to manage that change, and so part of that comes in the form of our bilateral relationship because we have further cooperation in trade and investments under the principles of openness, competition and reciprocity. And so, some of the issues that my government is interested in is that we are very proud that our trade with India has grown from \$ 20 billion in 2001 to \$ 142 billion in 2018.



That is a seven-fold increase in trade. Investment flows have similarly increased during that period; I understand about six times. However, we still have a \$ 24 billion trade deficit, and in the United States, our average tariffs are 3.4 percent versus India's at 13.8 percent. And so basically, what we are looking for again in the Indo Pacific region is a way to intensify cooperation with India to have a fair, open and transparent entire Indo Pacific region. Some of that I see with Jayesh of Telangana state, and therefore the investment environment here and Jayesh has done a brilliant job, and Telangana has done a brilliant job in first of all minimising opportunities for rent-seeking and also developing a process of approvals that fast track it. That is extremely efficient. And so, when you look around you today, you see Google and Amazon and Microsoft and a plethora of US corporations investing. And in the prior panel the Australian High Commissioner spoke of that. There is the investment component, and there is the trade component because free, fair reciprocal trade helps for governance; it helps for global security, and it really helps our prosperity of the entire region. A lot of these are buzz words but having governments throughout the region that a) don't mess up trade and investment and b) that promote an open regime as opposed to a closed regime of trade and investment. And why? Because that grows the pie, it doesn't slice up an existing pie. It says our economies are going to grow and what our goal is to grow those economies together to stay focused, share an economic vision and level playing field. So I know the clock is ticking, but I would like to say a few things. I am very proud of this institution and the involvement of America's North Western University and also Fletcher School, University of Pennsylvania and also it shows the potential of US India economic cooperation from another perspective. I want to

list the names of a few very prominent Indian Americans who head global cooperations. We will start with Indra Nooyi, the former Chairman of Pepsi, Shantanu Narayen who is the Chairman and CEO of Adobe, Sanjay Mehrotra, CEO of Micron Technologies, Vivek Chandrakant, President and CEO of Albertsons, Sundar Pichai who is CEO of Google and of course a native son of Hyderabad, Satya Nadella, who is the CEO of Microsoft. And so, I am very proud because it exemplifies our shared values and I am very proud of the United States. I will be tooting my horn because this kind of openness provides opportunities for every one of all classes, colours and religions and that is what we are seeking in the Indo Pacific. Thank you.

Nandu Nandkishore

Thank you, Joel. May I invite Jayesh Ranjan to share with us your views?

Jayesh Ranjan

Nandu, I will pick a point which was alluded to repeatedly by the earlier panel and also mentioned briefly by Joel, which is about the importance of investments. Everyone spoke about getting global investments, international investments; there should not be barriers to those investments. But the prime reason which was advanced to seek investments was economic growth, jobs, etc. But in the context of the topic that we are discussing, that is Industry 4.0, I have actually seen live examples here in Hyderabad of international investments coming and actually promoting new generation technologies, new ways of doing things, new management practices, etc. which eventually permeate the system and also benefit the Indian counterparts, the Indian industry. That is, again, a very important value for which we must encourage and

welcome global investments. Industry 4.0 as you spoke about, even I am baffled by Society 5.0; I think our society will perpetually remain at 1.0, I don't know if we have made five-fold progress. Nevertheless, for Industry 4.0, it is again very important, and we are seeing results. Industry 4.0 is no more just a slogan or an aspirational thing. I have seen, here in Hyderabad, many companies that have converted their manufacturing practices into Industry 4.0. Just to give an example, Schneider has a 20-year old manufacturing facility. They make electrical components, switchboards here in Hyderabad. Roughly about a year ago, they converted that factory into an Industry 4.0 compliant factory. And the day they launched the newer version of their factory, I was also present. And it was amazing to see the kind of process changes and transformations that have happened. Just to give one small example but something which has a huge implication, in that factory, every unit of energy that is consumed in their manufacturing process is monitored and benchmarked against multiple parameters. So, for example, the benchmark against what has been the average of that industry in the last one week, last one month, last one year, how similarly placed industries consume electricity. And suppose at any point in time if it is found that they are consuming more electricity or energy as compared to the benchmark, there is an automatic process shutdown. For example, if this is your factory and your alarm tells you that you are consuming above the industry norms, maybe those lights get switched off automatically. If you consume more, those lights also get

switched off automatically, and so on and so forth. So it is really amazing to see how the application of technology is helping them become energy efficient. Obviously, using optimal resources for their manufacturing resources is good for the planet, good for society, and obviously very good for their bottom line as well. If you look at digital companies, Joel gave the example of Microsoft and Google, etc., all of them today are creating amazing products from Hyderabad. You spoke about the importance of technology in changing the way governance is carried out, the way it can create social impact, important areas of health, livelihood, education, etc. I will again give an example from Microsoft. Many of you would be familiar, those of you who live in Hyderabad would know, that there is an amazing eye care institution in Hyderabad called the LV Prasad Eye Institute. LV Prasad Eye Institute has been in existence since the last four decades or so, and they would have examined thousands of children. Lots of young children who report some eye ailment have gone there and been diagnosed. One amazing thing about the LV Prasad Institute is that they have maintained all those records very meticulously. A few years ago, all those records were handed over to Microsoft. Microsoft has now created a tool, a predictive analytical tool. So if a new child has gone through a diagnostic test, if this tool is run through, it is called MINE, MINE can predict with practically 100 percent accuracy what kind of eye ailments that child can develop in the future. And what we did here in Telangana was to get all school children who study in

“International companies in India bring in interesting technologies to promote transformative change.”

- Jayesh Ranjan





government schools to go through eye check-ups, MINE was run, and you will not believe this, but it was found that 80,000 children could have grown older with severe eye problems including complete loss of eyesight. And when this detection was made at a very young age for those children, corrective action was done, and surgeries were performed. Potentially, we have saved 80,000 kids. And you can imagine instead of becoming a burden to the society they are going to continue to become productive adults and will continue to contribute to society's well-being and so on and so forth. I am not implying that this can only be done by Microsoft and that Indian companies cannot do it. But the fact is that a lot of international companies who have a presence in Hyderabad, Telangana, in India do bring some very transformative kind of manufacturing processes and technologies, etc. which will further the interest of the entire society at large.

Nandu Nandkishore

Thank you, Jayesh. That was very instructive and very inspirational. May I pass the floor over to Suresh and ask you for your points of view as well as your build on what Joel and Jayesh said.

Suresh Chukkapalli

Thank you, Nandu. I am wearing two hats; one as the Honorary Consul General of Korea and one as Chairman Emeritus of Phoenix Group. So I would have two different viewpoints, if I may. The first viewpoint is, when I take up from what you said about 300 of the world CEOs saying

that they don't bother about shareholder value and that they are only interested in social enterprise, I wouldn't agree with that because as business people if you don't look at your shareholders' value why would any investor invest in your company. If you want to look at a social enterprise, you make profits and spend the money on that social enterprise. What I have seen in a majority of these countries is that the CEOs would like to get millions of dollars as salaries and perks and first-class tickets but would not like their shareholders to get dividends, which I feel is not acceptable to any investor. What is the purpose of business? The purpose of business is to create wealth for the nation. And if you want to create wealth for the nation, you need to do business, you need to have money, and you need to have shareholders to invest in your enterprise. So we need to clearly understand that what some CEOs talk about is not the word of the entire world. When we look at the Indian business perspective, we have two kinds of businesses in India, not relating to foreign investment or foreign multinational companies getting into India. We are talking about the public sector and the private sector. Typically, in India, other than the public sector, the majority of the private sector is family-owned businesses. And family-owned businesses have really successfully improved the shareholders' value and given so much wealth to this nation and so much job creation. You talk about the Ambanis, Birlas, Adanis; you talk about any company, including Jay's. He created value for about 8000 or 10000 employees. So unless he gives back to the shareholders, why would anyone want to invest in him? So

that is one topic that is very interesting. The rich and poor divide; yes, I agree that there is a rich and poor divide in this country. It is there everywhere in the world, including the US, China and every other country. But today, even the poor, if they really want to work hard, there are no limits or boundaries for them. So it is the passion for them to work. But as long as we continue to give freebies to the poor or those below the poverty line or white card owners, they would not like to work. Today we are facing a major problem in having employment, grass-root level employees are not available. I would also say that we need to get into disruptive job creation, which are not regular jobs. We are now looking at a lot of new intelligent startups by youngsters who are coming out with brilliant ideas, and new jobs are getting created. In fact, I would appeal to ISB students that instead of getting into cushy air-conditioned jobs, they should come out with interesting ideas where the Government of India is willing to give money. The creation of wealth will happen with the creation of jobs and getting new ideas. Artificial intelligence and robotics will not disrupt our jobs. For example, when I talk about KIA Motors in Andhra Pradesh, I have seen about 700 robots working in that company. I thought that there is no job creation in this company because of robots, everything is automated. But for your information they have created 8000 jobs in one year's time, in an area where there was nothing earlier. It was like a deserted area in Anantapur, and today, 8000 to 10000 jobs have been created. Young engineers are there and because of the 8000 jobs, there is so much economic growth in that area. So I think we need not worry about job creation for our poor or our youngsters. There are a lot of opportunities available, and new technologies are coming in, and the population of 1.3 billion ensures that anything you produce or anything you do is consumed in

“We need to get into disruptive job creation. Youngsters have to leave their cushy jobs to join intelligent startups and create employment.”

- Suresh Chukkapalli

the country, so you need not worry about anything. We are going to be positive in the way we are leading, and the Government of India is leading in a very positive way by bringing together banks, merging banks, and taking a lot of new steps which are going towards improving our nation. Thank you.

Nandu Nandkishore

Thank you, Suresh. I couldn't agree more with you about the purpose of business, which is indeed value creation at a sustainable pace over time. With this, let me invite Ajay to come in with a few different points of view on what different governments are doing differently in this challenge.

Ajay Kumar

Thank you, Nandu. I will take off where Nandu left it about Industry 4.0. This definition is horizontal and vertical networking of humans and machines. Just note that the human is part of the network, once you have this. But let us see what Industry 1.0 and 2.0 are and why Industry 4.0 is a fundamental jump. Here, until now, whereas humans have been controlling the system, in Industry 4.0, humans will be part of that longer chain, when it fully evolves. I am not saying that it is negative or positive, but it is an inevitable scenario. What are the benefits? As mentioned, it is zero wastage of energy and resources, and you have flawless products, and since it is zero wastage, you may have far, far cheaper products. We are all going to get excited about Industry 4.0, but just hold on a while. Let's have a long-term view of this. Think about the transition from Industry 1.0 to Industry 2.0, where the only difference it made was the invention of the product assembly line. That gave such a huge advantage to those who started early. Most of the countries in the world even remain in Industry 1.0. Have



you ever thought about how many countries in the world are manufacturing cars?

When we asked the question, the answers we got were only those who are competitive in the market should make cars or not make cars. Think deeper than that. And then it comes to Industry 3.0, networking in the digital economy, integration of digital and mechanical, that kind of huge advantage, the gap between Industry 1.0 and Industry 3.0 or the technological haves and technological have-nots increases so widely. In this context, we are looking at Industry 4.0. I have briefly explained what Industry 4.0 is and let us see why. Certainly, certain countries are ahead despite the fact that it required such a huge investment. What countries like India can do is we can have showcase factories here and smart factories here and there, and we also can show that we have Industry 4.0, but who is going to take the lead? All countries that have reached their post demographic stage where the population is shrinking, and the hands for working are reducing, they inevitably have to move to Industry 4.0. We will also have to move at some stage, but whether we should advance or not, I am not giving my opinion, but I am just leaving some questions for you. This is the scenario. What is in store for us? We all get excited about job creation. Many people felt that the computer didn't create jobs, but the computer created jobs. We should not compare the job created by the computer with the era before the computer. Our comparison parameter should be whether we achieved what we could have achieved. India is one of the largest markets for computers, and if you search on Google, who the largest manufacturers of computers are, we are not in the top 15. What kind of jobs did the computer create? If you go to a service centre, in that

“During globalisation, there were winners and losers. Those who lost during that phase were not adequately taken care of, which resulted in a backlash against globalisation, leading many to adopt either protectionism or nationalism.”

- Jayadev Galla

small 5X5 ft space, five or six people sit, and they do low-end maintenance jobs. That is the job that the computer has created in India. To use words in economics that disguised employment moved from agriculture to urban area. Are they earning more than what they earned in the village? I am not sure, that is another question to ask. Now, after having said all this, we cannot stop this, it is inevitable; it is coming. So what should we do? As I said, this huge investment is required, and the countries making that huge investment are shrinking markets. So they would look at other markets aggressively. So what should we do? Should we have a new framework? Would WTO be able to handle that situation? These are the scenarios that we have to face, not immediately, but after 10 or 15 years. In economics, things happen in cycles, so we don't know. New protectionism will come when Industry 4.0 comes; we don't know. Industry 4.0 is not coming to Africa very soon or in many other places. What will happen to those places? We have to look at this as well. So should the world look at a new framework whenever it comes. As of now, Industry 4.0 is only a couple of smart countries, but when it actually comes, whether we should look at a new framework or a new idea is one question that I want to throw at you. Thank you very much.

Nandu Nandakishore

Thank you Ajay for those very insightful comments and developments on what we are already doing as a country. May I to close this particular phase of the panel discussion, invite Jayadev to give us the bigger picture of where we are going.

Jayadev Galla

Thank you, Nandu. I think for me, when I looked at this



topic of Industry 4.0 and Society 5.0, I think what we also need to keep in mind is what phase of globalisation are we in today. I don't know if it is 4.0 or 5.0 or 6.0 but it started with the discovery of the new world and the old world and also moved into a period of colonialism and de-colonialism and then the Cold War and then the latest phase of a lot of expansion in terms of trade and movement of people, movement of goods, movement of ideas. All of that was happening very well for the last couple of decades, I guess. But now we are looking at, I don't know if we want to call it post globalisation phase or maybe a backlash to the globalisation, because there were winners and losers during this phase and the people who lost really weren't taken care of in most of the countries. And that is what you see as a backlash of globalisation going into more of a protectionist, nationalist, scenario and also because of security-related issues with terrorism on the rise. People are starting to become more protectionist for that reason as well. So this is the kind of thing that is happening while we are looking at Industry 4.0 merging and what that is going to do to society. When we look at the Indian context, it is again a very peculiar situation. It is not like the rest of the world. In our country, 70 percent of the people live in rural areas, 60 to 65 percent are dependent on agricultural income, which is less than 20 percent of our GDP. So we have had the need for a long time to do something akin to what China did, where they shifted almost 300 or 400 million people out of agriculture-based income into manufacturing and services. Now can we repeat that? Probably not. Not because of anything else other than that time period, that window is over. Manufacturing

as a provider of a large number of low skilled jobs is disappearing. I run a group of manufacturing businesses, and we see as we are expanding, we are not expanding headcount at the same rate. It is happening even in India, where the capital versus labour equation is very different in favour of labour many times, but that is changing even in India today. So where are we headed with all of this, what do we do with all these people is really the question. One way to look at it is: we are not far behind the rest of the world in that sense because these are new trends that every nation is confronted with. Whether it is people moving from agriculture to something else or whether it is people moving from manufacturing to something else, they have the same challenges. The education system is not geared up. we don't know what the future looks like. we don't know how to educate and train our young people to be prepared for that future. But one thing, Joel, you mentioned the conversation between Elon Musk and Jack Ma, the other day. It is very interesting to see the mindsets of a Chinese entrepreneur. But these are challenges that the developing and the emerging world is facing versus the developed world is facing was very apparent in that dialogue. I think that one thing that they both agreed on is that population explosion was a major concern for us for so many years but now we are looking at the opposite challenge of not having enough population growth in countries like China and the developed world where it is leading to inversion of the pyramid, it is leading to non-replacement of the population and many other problems that we may be facing. So it is not just a population explosion that is the problem but even a reduction of the

population that is also going to be a problem. And with all of that, people are going to be working less. They are saying people are going to be working three days a week, four hours a day, 12-hour workweek because everything is going to be automated. All the basic jobs that don't require a lot of intellectual capability are going to be the first to go. But then we are seeing with artificial intelligence, machine learning and everything else, even the capability of machines is increasing dramatically to a point where they are replacing knowledge workers and creative workers in future is also looking like a real possibility. So what does the future look like in a post labour society, in a post-global society, is nice to think about. But I think that the idea of a job, working for a firm for a period of time at set hours and being judged on certain outputs maybe a thing of the past as we evolve into this new society. And we are all going to become entrepreneurs, someday, I think. And whether we are managing capital, managing machines or whatever it maybe is going to be a very different world. And I think that is what we as Indians need to recognise, that we are not far behind the rest of the world in understanding how to cope with the future because the future is changing very rapidly but how do we leapfrog and get there first.

Nandu Nandkishore: Thanks, Jayadev. That was very deep and very insightful. And indeed, shortly before he died about 15 years ago, Peter Drucker, the management guru of the 20th century, wrote a very nice article in The Economist where he talked about a new reality. And he was predicting Industry 4.0. He talked about the vision of Karl Marx achieved with the power of Bill Gates, where you are competing in a globalised playing field, where every individual competes on his or her personal merits. So it is a fascinating brave new world that we are entering and indeed I liked the reference very much that Jayadev also made to the importance of education as a national agenda. Some of the countries that have in fact responded to your point Ajay, to Industry 4.0 very well like Singapore, Korea or others are in fact investing great sums of money in education, in building those skills and capabilities that will prepare their citizens for Industry 4.0 even not knowing the specific technologies that will be available then but the skills that would be available, so very interesting developments indeed. And you have heard the panel that had some very interesting points of view and very inspirational and thought-provoking points of view here. I

have just been handed a note requesting us to wrap up in the next ten minutes. So instead of opening questions from the panellists to each other, we actually had an interesting discussion even before we got here, allow me to open the floor to questions from the audience.

Audience Question 01

This is Anurag from the University of Hyderabad. When we are talking about technology and trade in the context of changing world patterns and new disruptions in the present economy, how come the rising idea of apolitical money such as cryptocurrency, especially bitcoin, as a medium of trade between countries be an opportunity or a challenge for countries especially India?

Suresh Chukkapalli

I don't think cryptocurrency will succeed in any country for that matter, and it will be a bubble, but it will disrupt the world. So please, as a youngster, don't even look at it; look at ordinary currency. Thank you.

Nandu Nandkishore

Is that direct enough for you, Anurag? But I am open to opposing points of view in the panel.

Jayesh Ranjan

My thought would be that cryptocurrency is still evolving. There are a lot of people who are extremely bullish about it; they feel that it is going to replace other forms of transactions. But at the same time, very, very experienced people who have an immense amount of domain expertise feel that it is a bubble that is going to burst. So our national government and the state government are very rightfully cautious, but at the same time, I am sure that you know that the technology that powers cryptocurrency, which is blockchain, is being embraced left, right and centre in our country. Telangana itself is a shining example of at least more than a dozen blockchain use cases. So my caveat would be that it is too early to judge cryptocurrency, let us wait and watch for some more time.

Audience Question 02

My name is Uday Waghmare, and my question is directed to Suresh. If we assume that the basic premise of any business is to create value and give back to the nation, is it not incumbent on the government to do away with

protectionism in the form of reservations and let merit be the pure catalyst, so that we have this extrapolation of merit and this freedom to express ourselves and then contribute to self as well as to the nation?

Suresh Chukkapalli

I think you have a contradictory question within your question. One, you are talking about creating wealth by business, and on the other hand, you are talking about protectionism and reservation. Protectionism is something that has come and will probably remain for some more time. The government has to have the will to do something about it, people are talking about it, and we don't know when it will happen. Let us not worry too much about that because there are many ways where a hardworking, good student or a good entrepreneur can always overcome the gender imbalance, or the blockage created by reservations or protectionism. I would want to say that we have been looking at protectionism in a different way. For example, there are a lot of foreign direct investments which are coming into this country. Not only FDIs but within the country a lot of large entrepreneurs who have built large empires like Jay and others, what I feel is that protectionism in terms of labour laws, the laws are extremely good, the government is extremely cautious on the laws. So protectionism is something which is a very, very thorough discussion point. Political will has to be there. Politicians have to come out of their protection mentality. Reservations are okay, but the employee protection is something which is disrupting the entire industry, and foreign direct investment is worried about this. I will take the example of Maruti and many other companies which faced these threats.

“The invention of the product assembly line gave a huge advantage to the companies which started early. We cannot compare a job created by computers to a job created before the computer.”

- Ajay Kumar

Nandu Nandkishore

Thank you, Suresh. What Suresh is saying is that we need to balance employee protection with industry protection of some sort. The other message, I refer to what he said earlier in the context of value creation, is inviting our young people to look at entrepreneurial opportunities rather than focusing on jobs because, indeed, the technologies of the future.

Joel Reifman

It is the power of partnership over protectionism. We face global problems such as the replacement of labour by machines, such as the management of consumption of public goods like clean air. We co-hosted here, in Hyderabad, in 2017 a Global Entrepreneur Summit, which we think has inspired a generation of global entrepreneurs, and industries are not static, they grow, they die. And with entrepreneurs and during resilient partnerships, we can generate that wealth.

Audience Question 03

Hi, I am Shravya. My question is, while we are talking about artificial intelligence and machine learning sort of replacing knowledge and intellectual capabilities, how do you think it affects policies and therefore how do you think it solves larger problems and what kind of impact do you think it will have in the government sector especially?

Jayadev Galla

Yes, if I have understood you correctly, you are asking how these changes will affect policy. If we look at artificial intelligence, machine learning, robotics and all of these



technologies, 3D printing and so on that is coming into the manufacturing space today and also into some service industries as well, it is all about increasing efficiency. Why are we bringing in these technologies? To improve quality, to improve throughput, to improve the business and the cost of doing that business. So if industry realises that is the way to go, in building those types of benefits, labour is going to be a casualty in that process. So how do we actually account for that? When I spoke in the beginning, I said the latest phase of globalisation is facing backlash because of the people who are out of work, who suffered as a consequence of the globalisation were not being adequately taken care of. So I think that is where public policy, government has to step in, identify who the people are who are being affected by this and have some kind of a way to, first of all, retrain them, repurpose them, get them into the economy again in a manner that they can fend for themselves and have a livelihood. And also to look at policies that are aimed towards the future as to how do you train youngsters who are going to be coming out of colleges and schools in the future, in less than a decade or around a decade's time, and how are they going to be prepared to fend for themselves and earn their livelihood. And by earning their livelihood, I don't necessarily mean jobs; jobs may be a thing of the past, we don't know yet. But the time may be right for us to look at the idea of universal basic income. That has been debated around the world a lot, and especially countries with a large number of underemployed people like India, it could be something that we have to start testing. But what does universal basic income mean? It could be a combination of both cash and

We are undergoing an age of unprecedented change. Data is accentuated by free exchange across borders.

- Joel Reifman

facilities provided by the government; it could be public transportation, housing or the basic needs that anybody requires now becomes the responsibility of the society as a whole through the government. But then if anybody wants to go and live a lifestyle beyond that they would have to learn how to earn in order to pay for that. I don't know if I have answered your question, Shravya.

Prof Nandu Nandakishore

It is indeed a discussion and an issue for which there are no easy answers. It is these answers that we will have to evolve as government, as a society, as an industry, as we go forward.

Jayadev Galla

If I could just add when we talk about this 12-hour workweek concept, that means a lot of people are going to have a lot of time on their hands for leisure, for entertainment, for sports, for learning new things like painting or cycling, it could be a host of different things. With the demand increasing for that because of the disposable time that they have, today you have two days a week to do that. Tomorrow you will have four or five days to do that, which means the demand is going to increase, and a whole new host of industries are going to emerge to cater to those needs.

Nandu Nandakishore

Thank you all. Before I hand over to you, allow me to quickly say a word of thanks to our distinguished panellists: a fabulous discussion and great views.



DIALOGUE III SOFT POWER DIPLOMACY AND HIGHER EDUCATION

Ashwini Chhatre

I am very happy to be chairing this session. I look forward to hearing from the panellists who represent a diversity of experiences, expertise and, I expect, opinion. I will just frame the topic a little bit, especially because soft power in and of itself is somewhat of a many-splendoured thing. It depends on how you define it. The overall context is the use of soft power for higher education, and the context is the growing internationalisation not only of India but specifically its higher education sector. A lot of it is aspiration and it is more desire and ambition than facts on the ground. But what remains to be seen is the way in which we understand India's soft power and whether it will be used to internationalise the higher education sector in India. What I bring to this is a series of questions that I will pose to panellists. I request each one of them to spend

no more than five minutes in sharing initial thoughts on the broad topic, drawing on their background, experience and expertise so that we can have enough time left in the session itself to take a round or two of questions from audience. I would like to request Rajeev to share his thoughts based on his diversity of experiences.

Rajeev Gowda

Thanks, Ashwini, and good afternoon. If you hear the brand names Harvard, Oxford, etc, you get a sense of what western soft power is all about in the field of higher education. In 1984, when I went to the US, there was exactly one book in the British Library on US universities. And the soft power that drew me was just two or three phrases. I said, "okay, I want to get the best possible education in the world in Public Policy" which is the direction that I was



PANELLISTS



Kieran Drake
Minister Counsellor,
Political and Press
British High Commission



Nitin Pai
Co-Founder and Director
of Takshashila Institution



Rujuta Diwekar
Nutrition and Exercise
Science Expert



MV Rajeev Gowda
Hon'ble Member of
Parliament



Professor Ashwini Chhatre
Academic Director, Bharti
Institute of Public Policy, ISB

going in; Economics and Policy. And the heuristics were “oh I should go to an Ivy League school and study with a Nobel Laureate”. Somehow, I managed to pull that off, but the basic thing is we didn’t have more information at that time, this was pre-internet. But that was the attraction. Now, what is there in India that would get people to come here as well with the same kind of inspiration, attraction, etc. The truth of the matter is that we have tremendous potential. This goes for India as a whole, but especially for the higher education sector as well. In the early 2000s, I wrote an article in the New Indian Express. They wanted a vision of the future kind of thing, and I wrote an article called Vishwavidyalaya, where I said this is the word we use for our university, which could easily be the education hub of the world. What is preventing us? ISB, IIM-B, where I used to teach, are all world-class management schools and provide education at a lower cost compared to the rest of the world. What is preventing us from opening our doors to the entire world and getting a very, very different set of students in the class than what we have? So these were all some of the questions that we raised. The other part, of course, was the research dimension. China has managed to really invest so much in its higher education and bring back some of its best talents from around the world that it is now able to compete when it comes to patents and innovation with the best while we have not been able to get up to that level at all. And the fact of the matter is that out here in India, the problems that we face, the diseases that we have, it is ripe for all kinds of researchers to come here and work on. The difference is that when I wanted to go to the US, there was a process; there were scholarships. We were absorbed into the higher education process easily and then absorbed into the higher education industry as a Professor without anyone batting an eyelid that you

came from somewhere else. Do we open our doors in a similar manner? When we have done so historically with people from South Asia, from Africa, etc. how do we treat them? We see violence on the streets, racism and things like that instead. And certainly, we would have a little bit of a rebellion in every one of the government-funded institutions or maybe private ones as well if you reserved half the class for people from abroad. We at IIM used to have an exchange semester, and I used to teach a course called ‘Understanding India’ in Bangalore, where in my class, 100 students were from outside India. Because for them, the attraction was that this is a growing economy, the best way to get a sense of India is to immerse yourself in it. You live, breathe, eat, travel and experience the whole economy. So these were some of the factors that come to mind. We do have Mysore where some of the yoga schools have been in place for a long time; nobody needs to sell India or its historic soft power in that sense. People are coming from all over the world just to experience what it has to offer. So essentially, if you think about what it would take, I believe that we have huge possibilities, huge potential. Still, it would take the government to change the rules dramatically to create all kinds of visa and other mechanisms that allow people to stay here and work and move on. Is there some clamour for the equivalent of the H1 programme in India? We don’t have anything like that, but why not? When this is a growing economy, when we could easily have people come, study, live, work, etc. Still, I am just saying that the possibilities are endless, the barriers are also enormous, but we put it on the table today, and I think it doesn’t take too much for us to take the ideas that we have just raised and find ways to get rid of them. Otherwise, there is a lot of rhetoric, but I haven’t seen that kind of action as yet.

Ashwini Chhatre

Thank you very much. If I may paraphrase, there is a great opportunity; it is perhaps the best place to study solutions for the malaria problem that will be applicable for everywhere else because India presents a microcosm and has the technical capability to do that. But the challenges are in attracting talent to attack that problem in a way that is not restricted by borders or the red tape and bureaucracy. That is where the gap is. I like your characterisation of Vishwavidyalaya. I never thought about it. But the word itself encompasses a universality that the root of the word ‘university’ also comes from. And while we aspire to it, this is the rhetoric; we have never really put our minds to doing that.

Rajeev Gowda

Just one more example; take medical education. A resident or a student from America or some other part of the world, if they were to come to India, in one semester’s immersion, they would get more exposure and training than they would get in 20 years there; just the complexity and the diversity of diseases and whatever else. And we can certainly send them to the rural parts that are underserved if nothing else.

Ashwini Chhatre

Which brings me to the diplomacy part of the soft power and higher education conundrum which is where the soft power derives from a broader set of processes; the ‘eat, pray, love’ school of thought I guess which then has to be backed up with concrete efforts to make sure that it works in ways that benefit the country. I would like to invite next Kieran Drake, the Minister-Counsellor at the British High Commission, the person in charge of political and press networks, and almost two and half years in India now and



a fair bit of experience before that, to share his thoughts on the role of diplomacy in this soft power higher education conundrum.

Kieran Drake

Thank you, and it is a real pleasure to be here this afternoon. You started by asking us about how we saw soft power. And for me, it is really within the classic power dynamic. Power is about how you get someone to do something. Then hard power is about coercion and soft power is about attraction. As Rajeev was saying, the attraction of Ivy League education in the US, it was that power of attraction, the power of reputation, Oxford, the power of attraction of world-class universities overseas that drew him from India to study abroad. So really for me soft power is about our values, our culture, language, education of course as well, and how we use those to attract people to encourage them to behave in certain ways or do certain things. Now a lot of that is based on perception and preconceptions. So I wonder when you all think about the UK what comes first to your mind. I suspect that for many people it would be the English language, for some people it would be about history, about the royal family, maybe it will be about education and the higher education institutions. But soft power can be rooted in so many different sources, different places. And I would say that really for me there are two things when we are talking about the role of government in that. So clearly if you are thinking about tourism, sport, culture or language, a lot of that exists outside of government. If you ask me what the role of government is and what role of diplomacy is, I would say two things: The first thing is an understanding that soft power, and I know that there is some disagreement in the panel about this, but for me, soft power is not nebulous. It is sometimes

“But what remains to be seen is the way in which we understand India’s soft power and whether it will be used to internationalise the higher education sector in India.”

- Ashwini Chhatre

considered to be entirely nebulous, but it has clear and quantifiable benefits. That is why every government around the world engages in soft power. Now often, those benefits can be economical, but they are genuine. But the second thing is that it takes time. Soft power is not a quick tool of government. And the third thing which links to that is it is rarely something that is done directly by the government. As soon as the government starts doing something directly, it loses its value as soft power. What governments can do is create opportunities for soft power to flourish, for cultures to flourish. I will give you two examples. If you look at UK, one of the many things that you might think about is the film industry or literature, think about Harry Potter or Sherlock Holmes or some of those UK cultural icons that encourage people to come to the UK to study there, to read about it, watch films about it. This is because the UK government has put an enormous amount of money into creating the conditions in which our film industry will flourish. We don't write the books, we don't make films, but we create the circumstances for that to succeed. Contrast that to other countries where they have a more repressive regime where censorship exists, and I think you would see quite a difference in the way soft power is used. Just very briefly on education; again, this is not new. I think this is something that the UK government does very effectively, but it is not new. So when the Romans conquered a new part of Europe, they would typically take the sons of the conquered chieftain and bring them back to Rome and

educate them there. Because they knew that if you won the hearts and the minds of the next generation, extending your power would certainly be much easier. And of course, as all governments try and do through ensuring that your institution has that quality of attraction. So in the UK, we have four of the top 20 universities in the world that are UK institutions, 30 out of the top 200 and 12 percent of all global students come to the UK. Last year we had almost 22,000 Indian students coming to the UK, which is over 40 percent more than the year before. It is not enough; we would love to do more. But it has been going up steadily for the last three or four years. But we also put a lot of money into that. Last year we spent almost \$5 million on scholarships for Indian students alone to come and study in the UK, and it worked. Chevening, our biggest scholarship programme, you have got 14 heads of government around the world who were educated in the UK through the Chevening programme. So again, it is something the government can do indirectly as well as directly. The last thing I would say though, again, it goes back to the point about its attraction, that it isn't something that we do, that we can impose on anyone else. One of the things that is special about the soft power relationship between the UK and India is the dialogue that exists there. We were talking about it over lunch. The national dish in the UK now is chicken tikka masala made in the UK, inspired by India, and cherished in both countries now. We have a diaspora of one and a half million people of Indian origin living in the



UK contributing to all walks of life, whether that is politics, science, research, education, medicine. And that again is not a static thing; it is a constant flow. So we had 1.4 million passengers last year on flights traveling between the UK and India, which is about 4,000 people a day on 16 flights a day. So that the living bridge that exists is constant. We had about 100,000 people from India travel to the UK just this summer to watch the cricket World Cup; this is another form of soft power and another form of attraction.

Ashwini Chhatre

And, of course, the English Premier League. It is something that I wanted to bring up in the context of moving forward. So there is diplomacy that is largely in the hands of state agencies and state actors. And there is soft power that this diplomacy can use to attract students. But soft power itself has multiple dimensions that are not always in the control of state actors or at least do not provide sufficient opportunity. I am reminded of a talk by Chimamanda Adichie, a Nigerian author, the title of the talk suggested the need for us to go beyond a single story. And it seems that for a long time, in at least certain parts of the developed world, India was a single story, that of snake charmers and ropes and ladders and so on. I wonder, if there is now a multi-dimensional India story emerging on world stage that relates to the power of yoga, power of spirituality, wellbeing, healing, nutrition, diets that are uniquely Indian, perhaps not very narrowly geographically specified, but creating an image of India that goes way beyond the snake charmer image that came to mind 50 years ago. That expansion, that multi-dimensionality of the soft power that India has is a new phenomenon. However, it is not adequately reflected in higher education, though it is beginning to show itself in diplomatic efforts such as the



International Yoga Day, for example. Rujuta, you may want to add to this.

Rujuta Diwekar

Talking about soft power, by the time I turned into a professional, from 2011 itself, what I have seen is invitations from different countries especially whether it is our neighbours, China or Nepal, or very recently Afghanistan, to come and talk about Indian wisdom about wellbeing. You can also see now with that like there is soft power, there are also some hard threats that the world faces in terms of climate change. And one of the unique things that India has to offer is now what is very popular on social media in the form of plant protein. I guess even Mahatma Gandhi is one of India's most significant soft powers in that sense. And when the Indian government celebrated Bapu, even in a place like Afghanistan, they wanted to know how you can have a vegetarian diet and live a perfectly healthy life. For me, it was fascinating because I went there around Navroze, which is one of the biggest festivals in Afghanistan. They celebrate it with around seven dishes, and all of them were vegetarian. So I think soft power is a lot about give and take, a lot about dialogue. It is not about you going and imposing something. You also learn that there is so much in common. Sometimes, what happens to us as Indians is that we want our traditional wisdom to get some recognition or maybe an article in NYT or Washington Post or the Guardian so that we can say that you can drink milk with turmeric because everybody is drinking turmeric latte for £2 in the UK. I guess that is something that we need to look at internally even when we look at what soft power can do outside in terms of diplomacy. When it comes to soft power, I think education has a big role to play. My first visit to ISB was for this event called Chai and Wai, and now

“Soft power is also about dialogue and exchange of wisdom between countries.”

- Rujuta Diwekar

we do know that chai is across the globe. It is also one of our soft powers. When students come to institutes like ISB and sign up for a year-long or two-year long course, they must know what they can do to stay fit. Most of them study till late in the night and don't necessarily eat right, which can lead to weight gain. I think institutes can garner soft power by at least having an elective subject on a very India-specific outlook on food, well-being and yoga. I am sure it is something that will help the current students, and it will also attract students across the globe as then the institutes will offer that education more formally.

Ashwini Chhatre

This only illustrates the myriad and the interesting ways in which soft power works and how it continues to surprise us. I also want to take this opportunity to bring attention to not its downside, but let's say its flip side; the extent to which the presence of chai latte on Starbucks menus is soft power is a matter of debate. It is instrumental because there is recognition. And in the age of fake news, the degree to which soft power works for you is a matter of debate, if not a matter of conjecture. So I want to take this opportunity to bring a somewhat more critical focus on how we think about and understand soft power. And I would like to introduce Nitin Pai, the co-founder and current Director of Takshashila Institution, and several years of experience of not only teaching students but also helping them think about many of these aspects.

Nitin Pai

People are overly excited about soft power, majorly because we are used to relating the word power with muscularity or military. You have Bollywood, yoga, Indian food; These are the kinds of things we are going to use



to project power across the world. It makes people feel better that soft power is something nice that we do. We are nice people, and so we do nice things in foreign affairs. That is a convenient myth that people like to have when it comes to foreign policy. International relations don't work on niceness. It doesn't work on being good and nice and fuzzy. There is a hard edge to international relations, which is carried out by diplomats. So even people here who carry the title of an economic diplomat or public diplomat ultimately have to practice their trade at the sharp end of international relations where power comes into being. So just because people watch your movies, people eat your food, people listen to the same music as you do, people probably speak the same language as you do, it doesn't mean that their governments are going to align with your national interests. Getting your governments to align to your national interests is what diplomacy is about. So I would distinguish this warm, fuzzy conversation about soft power from the practical, functional art and skill of diplomacy in which public diplomacy, economic diplomacy, political diplomacy, all have a role. I don't want to belabour this point, but I want to bring out this point that, look, let us not get overly excited about soft power. It has certain roles, maybe two civilisations can have mutual affinities for each other, and that is a good thing. But whether these affinities translate into real foreign policy decisions that promote interest is a debatable topic. So we have been talking about connecting soft power, diplomacy and higher education as a theme of this. Let me take you to a different era. In 638 AD, when this Chinese pilgrim/student, Xuanzang, who read the prospectus, comes to India to pick up the Buddhist sutras. His emperor tells him not to go, not to leave the middle kingdom, but he escapes in the night, takes a long route through Afghanistan, comes

“There is a hard edge to international relations, which is carried out by diplomats...economic or public diplomats ultimately have to practice their trade at the sharp end of international relations where power comes into being.”

- Nitin Pai

to India, and lives here for many, many years, about 10 or 15 years. He studies at Nalanda; he studies at other higher education institutions in India. He is so impressed that he takes back some of these things with him. When he goes back, he says to the Chinese emperor that India is a wonderful place; I have lived there, they have this sophisticated higher education, so on and so forth. And because of this, emissaries are exchanged between Emperor Harsha and Emperor Tang Taizong of China. Harsha sends three emissaries, and the Chinese emperor sends one. Among the things that were exchanged at that time were technology to produce sugar, which India had, and an ayurvedic doctor called Narayanswamy who was sent from India to China to learn Chinese ayurvedic medicine. Now that is the nice part of it. Now what goes unsaid in this story, very few people know this story, is the second part. This reveals the need for us to have a hard understanding of foreign policy. The Chinese system recognises only one sovereign; the middle kingdom, and the emperor is the only sovereign in the world. So he understands only a tributary system. The Indian system, on the other hand, understood multiple sovereignty. So you could have a king of this state and a king of that state, a king of Vidharbha, a king of Magadha, etc. So Indian kings knew that there were other kings, but the Chinese emperor did not recognise any other king, but King Harsha. So when the Chinese emperor sent down emissaries through the Himalayas to what is currently called Uttar Pradesh, those guys got molested. The Chinese emperor took this as an insult to the only sovereign in the world. So they formed a coalition of Tibetan horsemen and Nepalese infantrymen and came down the hills, attacked India and killed 10,000 people on the banks of the river Ganges. The Indian records have no mention of this. We have forgotten about this completely. But the Chinese records say that 10,000 people were killed, and their bodies were thrown into the river. This shows that you might trigger off something using soft power, but the consequences of that will be felt in many other dimensions, which you may not have the ability to appreciate. Now in the current context, I think Rajeev mentioned it, we have scholarships for people from many countries. They come to India; they study. But if they encounter a reality that is not to the expectation, it does not match the brand promise of what India is, it goes back and has a negative repercussion. There are countries that I know which have very favourable

impressions of India. If you go to Malaysia, Malaysian patients and Malaysian people have great ideas of what India is because of Manipal and medical education. Many of the Malaysian doctors were trained in Manipal. If you go to the Maldives, a lot of people have very favourable views of Bangalore and Thiruvananthapuram because many of them studied in these places. But if you go further afield, if you talk to Africans or southeast Asians or our neighbours from the subcontinent, you will get a very different view of what it is, and it influences you. Coupled with the fact that we are very, very terrible in talent management, I think India's instinctive response to talent is to push it away. And we don't have a database of who these people are, what they are good at, how they can be counted upon in times of need, and so forth. So while soft power and the idea of India and the wonderful things that the country can provide creates a brilliant prospectus and a brand image for the country, the agencies depend upon the government and the educational institutions to make that brand reality happen, otherwise we will end up in situations that we didn't bargain for.

Rajeev Gowda

If India got its act together, if we made the scholarships available, if we allowed people to come and study here, work here, etc, and we supported our institutions such that we provided this high-quality education at a very low cost the economics of it would be the hard power, the UK university system would shut down because everyone would be flocking to India instead at a fraction of the price. That is what I am trying to say that we just haven't thought about this, forget acting on it at all. Part of it is because we have such a lot of pressure internally to accommodate the competition that is here that we can't easily open our doors to the rest of the world. And it is not like the rest of the world doesn't have competition. They value the money that we put in; there are a few billion dollars that go out of India every year in terms of tuition fees. But they also value the fact that that multicultural environment in the classroom is part of the whole learning process itself. And then, of course, America has had this black hole effect for talent from everywhere, sucks it in and makes it its own. I think back to the 1984 visa interview, and the big question used to be, "tell me why you are going to go back to India?". I think that was just a red herring. They wanted to see if you are smart enough to be absorbed into America.

Getting out of there is very, very difficult. It is just a few of us who managed to escape the magnetic pull of that larger ecosystem.

Kieran Drake

In clearly hard power matters, and that is why governments invest in the military as well and the UK has its commitments and its memberships with NATO and other organisations like that. I am one of the P5 in the Security Council, so of course, governments need hard power, and you need that both for defence primarily but also for the public. But where I disagree with you is saying that soft power is irrelevant and I say that for two reasons - One, where I started in my remarks earlier that there are clear, quantifiable benefits to soft power and two examples: one direct government and one outside government. So on the direct government side, we run a campaign in the UK called GREAT. If you have flown into a UK airport, you will see posters advertising and promoting the UK using the slogan GREAT Britain. That is now one of the top 50 most valuable brands in the UK. It is shown to have had a return on investment, the advertising campaign of more than 20:1. We know that the money that we spent promoting the UK overseas through our culture, through our history, through our contemporary societal assets, through sport generates a return on investment. So it brings money in, and you would have seen that through the EPL, you have seen the cricket World Cup. More than 10 percent of jobs in the UK come from tourism. Most tourists come to the UK from overseas, so there is an immediate economic value. But secondly, and this is about my point that soft power being long term or multi-generational. By encouraging people to spend time in other countries, in our case to come to the UK to study there, to live there, to go on holiday there,



we know that they are much more likely to think more favourably about the UK, to want to do business there, to want to invest there. I don't have the data to back it up. Still, I suggest that the better we know each other as well, and your story exemplifies this, the difference of opinion of the nature of sovereignty, and the more we understand each other, the less likely we are to have conflict. In terms of immediate financial return, in terms of long-term economic benefit and terms of peace, harmony and the less of a need to rely on hard power, soft power all have a value. The last thing I would say is that hard power is about government to government fundamentally. And what we are mainly talking about here is I think soft power and the relationships between people. India's diaspora around the world has a huge impact on how people around the world see India. The number of Indians in the UK strengthens that connection between the two countries. The fact that we have Indian origin cricketers, Nasser Hussain captained the England cricket team, we have leading doctors and scientists, affects how people see each other's countries and affects the type of relationship that we can have. One of the previous sessions talked about most businesses in India being family-run businesses. Actually, if you think about it, this is a global family, and the more connections we have, the more we can do together not just in terms of traditional economic business, but the more dialogue, the more exchange, the more contact. And I think that is the route to a better future, and so I would say, don't see it in terms of the zero-sum games, don't see it as binary in terms of hard power or soft power, there is room for both.

Audience Question 01

Thank you for the opportunity. I am Pradeep. I have two questions, and I will be very brief. One is on the medical

“Soft power is not nebulous. It has clear and quantifiable benefits. It is not a quick tool for the government. It takes time to develop so.”

- Kieran Drake

students going to China to study. And as Mr Gowda was saying that India has a wonderful experience and provides all those things, then it is an insult for Indian students to go to China and study. The second question is about international students studying and being in India. Out of five million international students, 10 percent goes to China, and 1 percent come to India. I have interacted with African students in China, and they said we studied in India also and one guy has studied in Hyderabad. He said living in India is like living in a family of our own, whereas in China they are restricted. The question is, in the eyes of students, India is magnificent, but we don't seem to be promoting it. In contrast, China is promoting with its belt and road, China scholarships, Confucius Institute, all of this is happening, but India is not doing anything.

Audience Question 02

I am Colonel Mishra from the Indian army. I am a serving officer and a student of Mass Communication in Hyderabad. Typically, soft power is used by any country to extend its foreign policy rather than going for the military option. It wants to contain rather than go for aggression. We are saying here that the political system is different and soft diplomacy moves separately, parallel to each other and don't merge into each other. I am of the opinion that every government uses soft power. If you see what happened in 1987: Muhammad Zia-ul-Haq came from Pakistan to India for the cricket diplomacy, so did Musharraf; he even appreciated Dhoni. So I think soft power is a tool used by any nation to forge a friendship, and it is a country that allows higher education also. If there is a clampdown with the government, there are no concessions. You won't have higher education; you won't have an exchange of education per se.

“It is important to openly accept foreign students in Indian institutions in the same way that Indian students are accepted abroad.”

- Rajeev Gowda

Audience Question 03

I am Balda Ashok. I am a retired Assistant General Manager from the State Bank of India. My question is about higher education. Our people are held in high esteem. When we are outside the country, we are known for our wisdom and knowledge, and we are transforming and then exchanging our knowledge. How is it that we are unable to attract people from outside the country when we have a great culture and wisdom here? I would point this question to the Honourable Member of Parliament.

Audience Question 04

I am Sriram. I am a research scholar at IIT Hyderabad. When it comes to soft power, what was talked about earlier and even now a loose definition that was given is culture, cuisine and cinema. But when we look at India, until the last couple of years we did not have a department of Indology though countries world over have that department. That is one example of how we don't look at our strengths in terms of civilisation, knowledge, etc. If we don't praise our own, how can we expect people to be going out and using soft power?

Rajeev Gowda

There have been a couple of questions directed to me, so let me just go ahead. On the last point, I am not sure about the veracity of no Indology departments. We have had our Bhandarkar Oriental Institutes, lots of institutions studying India, Indian culture, Indian history, heritage, etc. So I am not sure you had to have a department with the exact title. They may have been enough or not been enough. There was some amount of attention to the larger topic. Now the other issue about why students are going to China to study medicine, that is because we have fewer seats



available here. People go to Russia, to the Caribbean. They go wherever they can go and get a degree. Now that is not a commentary on whether we are deficient versus others are being better or anything like that. It is just that we don't have enough seats for the number of people who aspire to medical colleges. Now the other side is about what allowed Malaysians, for example, to engage with us? An institution like Manipal, which was in some sense a privately developed institution, opened its doors to a lot of students from around the world. NRIs started coming to private institutions in Bangalore, so these became revenue streams, but it also made it easier for people to come and get a quality education while paying enough money that allowed cross-subsidisation of everything else, growth, etc. and the building of a brand name. That is something that government-run institutions have historically not done aggressively. And part of the reason is, as I mentioned is that we are catering to our population first, and we haven't imagined that we could open doors in a manner that would entail international students coming in. Even at IIM, where I used to teach when we started to open our doors to people from outside, we had to first decide to accept the GMAT as an alternative to the CAT. We were very rigid otherwise, where you took only one exam, and the grades did not even carry over beyond the one year that you took the exam, all kinds of restrictions. So you have to create a whole ecosystem to make it easy for people to come and live here and work with you etc. and we are nowhere close to that. Now there is talk about policy changes that will allow Indians overseas coming back here and working

for a few years, it will allow foreigners to come and work here for a few years, this is all at the faculty level. And I am not sure if enough is done at the student level. But then there is nothing coming in the way of our institutions being innovative and entrepreneurial. ISB is an example of an institution that just broke the mould. Technically, UGC never recognised a one-year MBA, and the market recognised it. So probably we are in an illegal institution by UGC standards. But the basic point is it doesn't matter. That is something that other places are doing; here, the question arises. A lot of colleges are reaching out to foreign students; they are having a twinning programme, exchange programme, etc. so you will find it. Garden City in Bangalore, Christ University, all of these are doing their networking, they are building their own bridges etc. our worry is that is this happening at a level that would ensure that students are not getting exploited in terms of what is being promised and what is being delivered. So there is a lot of work we have to do before this whole system is cleaned up and made transparent and allowed to flourish in some ways, but I am glad that we are discussing and thinking about it. The point is where the soft power for higher education would come is when the world says that is where I want to go and get my degree, say ISB. Have we reached that stage as yet? When we reach that stage, we have arrived.

Ashwini Chhatre

On that note, we conclude this insightful conversation.



DIALOGUE IV DIALOGUE ON INTERNATIONAL FINANCE IN A MULTIPOLAR WORLD

Bhagwan Chowdhry

Welcome, everyone. Let us start with international finance. So the world appears to be in a strange situation. After the Second World War, we went to Bretton Woods, where we all said let us peg our exchange rates with each other so that the world has a certainty about what the exchange rates are going to be. In 1971, President Nixon said the famous three words, and we went off the Bretton Woods, we went to flexible exchange rates. And now we are going even further by saying that the Central Bank should be independent. But now in the US, Trump is saying no, we can control you a little bit, and something like that is happening here as well. So we are becoming more local.

Amartya Lahiri

Absolutely right. The world has gone through actually many different forms of exchange rate arrangements starting

with the fixed exchange rate for a 30-year period. But there was some sort of consensus at least in the post-1974 period that countries transitioned into having their exchange rate policy. And that was perfectly okay. Some countries had fixed exchange rates, and others had flexible ones, some others chose currency boards. There was a gamut of arrangements that existed. Now, within all of that, the underlying principle was that if your fundamental policy set up and fundamentals of your economy are inconsistent with the exchange rate regime that you have chosen, markets will end up punishing you. That is how the whole thing used to work. We have now transitioned into a new normal where we somehow think that markets are not alert enough or not going to give out the punishment. Therefore, now all of a sudden, it has become an issue of policy negotiation between the US on the one hand in particular, which is the one that is pushing this currency manipulator idea on



PANELLISTS



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Bhagwan Chowdhry
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anybody that is running a trade surplus with them. And that is a new normal because in general, this is some idea that prices are sticky for a long, long period of time. So you can artificially distort your terms of trade for infinitely long periods by choosing to have a currency that is out of alignment with other parameters. That has historically not been true because there are things that have changed. So it is somewhat of a new normal because that is not how traditional economics work.

Bhagwan Chowdhry

Shamika, do you think states should have their own exchange rate?

Shamika Ravi

Well, I will tell you one common misconception that we see in the public debate when it gets to foreign exchange. We are, of course, in a different situation, as Amartya mentioned, particularly because now the belief is that China has done it and done it so well and gotten away with it. So, there is a new legitimacy to these kinds of interventions. But what you see in the conversation in the press is about equating, for instance, \$100 equals 100 rupees to the dollar, that kind of parity is a show-off of the strength of the economy, and that is such a wrong view of economics.

Bhagwan Chowdhry

I think you are saying journalists don't know anything about exchange rates.

Shamika Ravi

Yes, actually, I am. The seriousness of this is, again, the lack of enough research in the public discourse when it

gets to economic matters. And that was also a concern that if you were listening to the earlier panel, you saw that even foreign policy, international relations, even in terms of bilateral investment treaties, when they are being written, economists are not there in a lot of those decisions. They remain strategic in nature; there is a lot of politics in the conversation. But the details are where I think, at least as far as India is concerned, our capacity is so limited. It is in commerce, in conversations on foreign policy and also the economy as a whole. Also, the conversations are very distorted because there isn't enough understanding of basic macroeconomics amongst people.

Bhagwan Chowdhry

So whose fault is that? I would say that the reason politicians are not talking to economists is because economists always say, on the one hand, and on the other, they don't have answers. Do we have answers? Let me ask a very direct question to both of you. Did both of you know six months ago that we are going to have a 5 percent growth rate? And if you did, why didn't you tell us?

Shamika Ravi

Except if we had told you, it would probably have happened sooner. I am definitely not important enough to have significant announcement effects, but you have to be careful about your projections. And again, going back to what is the empirical basis for a lot of these announcements. But six months back, the micro indicators had begun to look bad, and so if you project it, there was a sense of there is a slowdown coming. Now, of course, the debate is whether it is cyclical or structural in nature. I tend to believe that it is long term structural.

Bhagwan Chowdhry

CAFRAL was really a research arm of RBI. Did these guys ever listen to you?

Amartya Lahiri

To be honest, until about seven or eight months ago, we had a place at the table. When we said stuff, there would be some attention being paid internally. That has clearly diminished over the past eight or nine months, that space has clearly declined. There doesn't seem to be as much focus on research-based assessments that are being put out. The RBI has its own. I can only speak about how much space we were being given. That doesn't mean that the RBI internal research was not being showcased as part of the policy.

Bhagwan Chowdhry

Does RBI do any internal research?

Amartya Lahiri

They have a lot of researchers. What they do is not what you or I would typically call research, which is somewhat of a different thing. It is not what is good, what is bad. It is a different definition. It is more like business economics, the way they would approach which is very valuable but not necessarily what the Central Bank does. Since I have worked with a Central Bank Research, which informs policies of a different type, that is not what is going on at the RBI.

Bhagwan Chowdhry

Let me switch a little bit here. These questions about what the growth rate is and what is not are soon going to be moot because we are going to have a lot of data. We are



going to have so much data that in fact we won't need to ask anybody. We would look at things like electricity consumption, we will look at fuel consumption, we will look at city lights and we will be able to figure out what is going on in the economy in the real time.

Amartya Lahiri

Just on that let me just pick up where you are leading, and it relates to what Shamika was saying earlier. In terms of why even one day before this latest 5 percent number came up, everybody was saying we expect 5.7 percent, but nobody was saying 5 percent. Even outliers were saying 5.5 percent. So the question is how can people who make forecasts for a living be so totally off in terms of their public announcements? And the problem is, what has been going on is people are not trying to forecast the data. They are trying to forecast what the CSO or the Central Statistical Office is going to put out. And those two things are not necessarily the same. And there is a subtle problem there because if you are trying to forecast what would be the first number that the CSO is going to put out, that is a whole different thing from actually forecasting what GDP growth is. For the longest time, if you actually talked to people on markets, they would say that they would take whatever number the CSO is putting out and subtract 2 percent. That is what has been going on the last three years.

Bhagwan Chowdhry

The zero error.

Amartya Lahiri

It was an intercept, they would just knock off but that is clearly not something that you can go out and make forecasts based on because you are judged based on

"There is not enough understanding of basic macroeconomics among people... economy must be at the heart of public policymaking today."

- Shamika Ravi

how close you come to what the CSO's growth number is. There is a difference between those two things.

Bhagwan Chowdhry

So I am saying the CSO stuff should become irrelevant.

Amartya Lahiri

What you are saying is exactly that there can be no further uncertainty about what the true number is. And that is where all this big data that is going to show up will somewhat make things a little easier.

Bhagwan Chowdhry

Does that sound reasonable to you (Shamika) that we are going that way?

Shamika Ravi

No, Bhagwan. Electricity usage, night lights data, we actually use all of this. But all of these at the end of the day are proxy. They may be highly correlated, but they are not exactly the value added-in in the economy. So it is an accounting exercise that the CSO does. Now the CSO is one arm of the government.

Amartya Lahiri

But Shamika, that is not true. The CSO is not doing an accounting exercise. It is doing an estimation exercise. It is not accounting; it doesn't add up.

Shamika Ravi

It is an estimation, but can you do that estimation simply based on projections from electricity usage and night lights and all of the proxies, I don't think so.

Bhagwan Chowdhry

But at least you can figure out the bias.

Shamika Ravi

Over time, yes. But the point I was making is these are all now empirical exercises. At the end of the day you need a model, you need to discuss this data and you need to put out these estimates. Frankly I have seen very few estimates come out from independent institutions which are saying that this is our projection. A lot of it is conjecture, a lot of it is journalistic and I am sorry we can't take that seriously. At the heart of what I am trying to talk about today is one of the reasons why we keep going around on a lot of these things is the research capacity in this country is so limited that we are constantly pushing back and forth and therefore the uncertainty.

Bhagwan Chowdhry

And why is that?

Shamika Ravi

We have not valued research, traditionally, number one, and two, the economy has gotten more complex than it was 15 or 20 years back. In fact, the definition of a job

today is not what it was say 20 years back. You measured unemployment every five years and that was okay. It is not okay anymore, which is why a movement towards PLFS. The idea should be to move towards real time. Over time, we will have to create these alternate models through which you will have real time estimates. At least a BLS type structure where on a quarterly basis, we have a good estimate for some of these macro indicators.

Bhagwan Chowdhry

So we will move in that direction.

Shamika Ravi

100 percent.

Bhagwan Chowdhry

Now let me ask you a question about China which is, for two decades we were told that China is growing at 10 or 12 percent. Were they?

Shamika Ravi

Oh dear! The thing about China, and this is what worries me because we compare ourselves with China all the time, but China is such a different beast altogether. We know about China what China wants us to know about China.

Bhagwan Chowdhry

You are not going to answer that question.

Shamika Ravi

No, not easy at all because I wish there was that kind of scrutiny of Chinese; for instance, they had a massive banking crisis.

Bhagwan Chowdhry

Whether their numbers were 2 percent up or 2 percent down with hindsight?

Amartya Lahiri

There has actually been a good study on this by Chang-Tai-Hsieh. What they do is, they try to compute the numbers from aggregate numbers and then build up from those aggregated. And it turns out that there is a bias if you start aggregating from the disaggregated numbers which is precisely because of the political incentives that are there at the level at which this reporting is happening. And so, they have a definite measure for that.

Bhagwan Chowdhry

And what did you find?

Amartya Lahiri

I think it was a percent and a half or something like that. So they were overestimating if they did it. But the aggregate numbers were okay, the ones that were being generated centrally. The problem is every time provincial numbers were getting aggregated, that is where the bias was. You can do the primal and you can do the dual.

Bhagwan Chowdhry

The conjecture I am making is that as we get more and more fine data.

Amartya Lahiri

Exactly why when I said markets were, when they were trying to put out assessments to their own clients, that is what they have been doing. So the only people to whom, I was surprised about the Arvind Subramanian



“We are going to have so much data that in fact we won't need to ask anybody. We would look at things like electricity consumption, we will look at fuel consumption, we will look at city lights and we will be able to figure out what is going on in the economy in the real time.”

- Bhagwan Chowdhry

paper actually, independent of all the end numbers, the fact that he thought that it should be 2 percent lower, markets have been doing it for three years using a lot of those same statistics that he was using. As Shamika said, these are not, these are indicators that correlate, leading indicators, some coincidental indicators. But people have been doing it already. So more of those indicators that we get, you have some sort of a mapping to what the actual number is and of course there are going to be errors. So the more data you get, you put in more variables and take out more variables. It is going to be very hard to continue with a number that the CSO is putting out that is very different from what is coming out from all this big data, that is presumably going to come up at higher frequency and a much broader set of indicators. It is going to be a crosscheck. On the other hand, it will still never take away the basic problem and I think Shamika is right on that. All forecasts at the end of the day are trying to match what the official statistical agency is putting out. Now the statistical agency may be putting out a number. Every forecaster is evaluated by how well and how close they come to that number. So what number they put out officially versus what number they tell their clients to base all investments on may well be two different things. But these forecasts that we see from private forecasters etc. are all about trying to match the CSO number. That is where the CSO organisation has to be much more professional in the way they go about things. They have to be much more open in terms of they shouldn't be clamming down on data saying we will release it when we want to. We won't release it; we won't tell you our methods and just constantly saying we are using the latest methods. It has to be a much more transparent process.



Shamika Ravi

One thing that would perhaps take away the government's woes as far as data credibility is concerned is that every time a new report on statistics comes out there should be an accompanying methodology document, with it, that is it. There should be another document with it which basically says this is the methodology. Because it is not like there is a grand conspiracy. At the end of the day this entire situation can be explained as just saying these are just certain empirical exercises done in a manner which then doesn't lend itself to scrutiny.

Bhagwan Chowdhry

In fact, we do that with our research papers. We often ask our graduate students, our PhD students to replicate a study. So we could do that with these numbers as well. As soon as they come out, we can tell our researchers can you replicate it. And if there is a lot of replication exercises, we will have a lot of confidence.

Shamika Ravi

The PLFS data that generated a lot of media speculation, highest unemployment in 45 years and so on. Now one thing that perhaps people don't realise is the PLFS is a completely different way to measure unemployment. These are not surveys. Now the minute you move to a CAPI system, for instance, in the US, when that happened it was treated as a structural break because refusal rate for a CAPI based investigation rises close to 80 percent. The only people who take these are the people who have 45 minutes to an hour or so. So there are many fundamental non-sampling errors. I am sorry we have gotten into the details of statistics, but it is very important. The moot point is when that happens, when you have a different measure

“We cannot do away with the process of growth estimation. It is relative uncertainty across countries that controls international capital flows.”

- Shamika Ravi



altogether, then we cannot put out a report with two lines in the beginning that says different methodology, therefore, please don't compare. And then inside you do exactly that, you compare different years. It is just bad research. I don't know how else to put it.

Bhagwan Chowdhry

So transparency about data and about methodology.

Amartya Lahiri

Since, this is a forum on international finance, I will just try and connect this to international finance. This transparency of data is also extremely important from the perspective of a country that is now thinking about issuing sovereign bonds. So the moment you start thinking of issuing sovereign bonds, it is not done in isolation. There are covenants under which these things are issued. International markets believe this data because they are investing based on the data that is being put out. So if this data does not line up or some company then comes back and shows more of these Subramaniam kind of papers suggesting that things are not quite what the CSO is saying etc., it will lead to a court case. Some creditor will file a case in New York.

Bhagwan Chowdhry

As long as it comes to the Indian courts, we will be fine.

Amartya Lahiri

No because these are issued in New York. These covenants

are issued wherever you are issuing the sovereign bonds. So it is extremely important that we don't horse around with this.

Audience Question 01

When we are talking about international finance in a multipolar world, we frequently come across some laws enacted by some countries like the US called CAATSA which prevent us from remitting money against genuine business transactions. Is this going to be replicated by other countries?

Amartya Lahiri

Is this US laws preventing Indians from remitting money from the US to India?

Audience Question 01 (continued)

The expansion of CAATSA is Countering America's Adversaries through Sanctions Act. Given a case where I had to remit money to Ukraine where the company in Ukraine is held by a company in Russia, America which is against Russia right now prevents me from remitting money through banking channels to Ukraine. That is the issue.

Amartya Lahiri

This is an ongoing issue with pretty much a lot of American transactions because the US has used its political interest to arm-twist. So it is going on with the sanctions in Iran.

It is I guess a risk of doing business with the US. So the question is how much of this is priced in if this becomes endemic, at some point the cost of doing business will be so high that people will try and avoid it. I guess the Europeans are thinking precisely of this issue. I guess once again one has to keep in mind that markets have a way of trying to push back against rank abuses. But clearly in the interim, the punishment may or may not be as fast.

Shamika Ravi

Actually, that takes us a little bit to the multipolar conversation. After the 2008 financial crisis, that we saw, the expectation was that because there was this kind of a financial crisis in the US, you would see a flight of capital away from the US markets into perhaps the emerging markets. But there is a very good book by Eashwar Prasad which basically tells you that despite all the uncertainty in the financial markets in the US and then subsequently global financial market, the net dollar flow was into the US economy. So Amartya, it is a relative uncertainty across different countries that affects international capital flow. And Eashwar's point in his book is basically that it is the institutions of the US that people feel safe in investing.

Amartya Lahiri

The US built up the safety over time through this reputation. The point that I was trying to make is that if they keep doing this, at some point that reputation will get lost. So nothing is permanent in life. It might seem like that, that for 40 years that is how it has been. Fact of the matter is that if you are looking for a safe asset globally today you will still go to the US. When the financial crisis hit, where did all the global money end up? Back in the US looking for safe assets in the US.

“All forecasts on the economy from private agencies try to match what the official statistical agency puts out.

- Amartya Lahiri

Bhagwan Chowdhry

How about gold?

Amartya Lahiri

That too but in terms of financial assets that is where everybody heads. And independent of how greatly performing we are and so on and so forth, the fact of the matter is emerging market funds and US junk bonds are pretty much very, very correlated. That is how you inevitably see problems anywhere in the US ultimately transmitting themselves to emerging markets because funds start flying out and going into safe US assets. But that is the outcome of 45 years of a reputation built. You are also going to lose it for the same reason.

Audience Question 02

I am Neha Dwivedi, and I spearhead public policy functions for one of the global innovators based out of India in biologics. My question is for Shamika. Very importantly, you mentioned that economics is at the heart of public policy making. I would like to understand one or two key lessons in the context of national health schemes like Ayushman Bharat, state schemes like Bhamashah in Rajasthan, Arogyashree in this region. What is the lesson on health financing which we can draw from them being economics speaking through public policy making? What is the key thing from such global finance schemes around that we can draw from? Thank you.

Shamika Ravi

One thing is it is the financing of healthcare in an economy which is going to determine the long-term sustainability of any of these. So it is the financing instrument of choice. Do you know that the US spends 18 percent of its GDP



on healthcare? And it has very similar health outcomes as Singapore and guess how much Singapore spends? 4 percent.

Bhagwan Chowdhry

How much do we spend in India?

Shamika Ravi

We should be spending 2.5 percent as per the promises of the Prime Minister. We are closing in; we are a little over 1.6 percent right now. But the point is that US and Singapore's example is basically telling you about the financing instrument because US is an insurance-based financing model and Singapore has a savings base. Basically, they have a pot which they create for every citizen and that pot can be used for healthcare, housing and a few other things. Which means that the basic incentive problems and adverse selection model as an issue that we talk about is not there in the Singapore model. So in insurance what happens, and any of you who have been to a hospital if you are insured, the chances that you will be over-diagnosed and that you will be doing many more tests and diagnostics is very high because neither the patient nor the doctor has an incentive to reduce usage. So insurance by its very nature leads to cost escalation. Now coming to Ayushman Bharat, I take exception to the media the way it keeps covering it. It has two components. Insurance is one part of it. Wellness centre or the creation of these sub-centres which are well enhanced primary health centres are a fundamental second component of that and no one talks about it. And that I think in the long term is far more important. Because when you have well-structured, well performing primary health centres, you reduce the overall cost of healthcare in a country because things are caught early on. The lessons learnt, particularly in the states you are talking about, whenever we say Indian economy, I think we have to move beyond national statistics to state statistics. It is very important that we talk about state economies.

Bhagwan Chowdhry

And you have done a lot of work on it and you find a lot of differences.

Shamika Ravi

Huge differences. Even in Ayushman Bharat, I think

the second order problem that we are now going to be grappling with is that there are parts of the country where government hospitals work very well; Kerala, Tamil Nadu. In fact, Tamil Nadu is the real poster child for health reforms in India, not as much Kerala. You have places like Chhattisgarh, Goa, Uttarakhand, Himachal, in these states public healthcare actually works very well. And how do we know this? More than 75 percent of people in these states go to public hospitals for their care because it works. Now if insurance which is publicly financed, basically funds healthcare that is publicly delivered then the cost escalations don't happen, the government doctors are not going to make money when they do one extra c-section. But many parts of the country we fundamentally depend upon private healthcare; UP, Bihar, Madhya Pradesh, Rajasthan, large states. So when the government hospital doesn't work, nobody goes. So it is not just about rich or poor. The general fallacy that we have that public healthcare is for the poor, super-specialty tertiary care is for us, no. In fact, in the southern states; Chhattisgarh, Uttarakhand, etc. where it works across quintile groups, rich, poor, middle income, everyone is going to public care. Where it does not work nobody goes, not even the poor. So now you can imagine what will be the cost escalation for Ayushman Bharat in the states which are privately delivered. We will see a massive divergence and we have to be prepared. Arogyashree has taught us a lot.

Bhagwan Chowdhry

So the same kind of big data is going to make insurance products more feasible.

Shamika Ravi

Absolutely. And the national health agency is exactly doing that.

Audience Question 03

This question is to the panel. It is about yesterday's news on bank mergers. The question is we are seeing a slowdown in the auto sector as well which is also exposed to a good amount of credit from Indian banks. Now in this situation when we are merging the smaller size PSUs, coming from the standard learnings on mergers and acquisitions how do you think the effectiveness of the merger will be because there could be a change of blame from bank to bank given the situation. Who will own the NPAs?

Bhagwan Chowdhry

This is an important point. We are merging some banks; do you think that will adequately address the NPA problem? Do you think it will address at all?

Shamika Ravi

No. I think short of basically accepting all the Nayak Committee recommendations which had to do with overhauling the management of public sector banks, that is No. 1, or privatization, I think this is the closest we come to basically reforming it. We often think that privatisation might be the solution to the NPA problem of public sector banks in India. I have actually argued in favour of privatising some of them. But there are nuances to this. It is not all just poor management as we would like to believe. In fact a lot of it, Bhagwan, has to do with your earlier point jokingly made but so fundamental that the Supreme Court of India, in fact a lot of NPA happened or the books of Punjab National Bank overnight started to look back when the Supreme Court said that all the coal blocks were illegal. Overnight, a sector which was profitable and which a lot of our public sector banks had a lot of exposure to is now not feasible at all. So it is not as simple as saying management. All said and done, today we are also looking at Yes Bank, which is looking fragile. Privatisation in India is not always the easy solution or the policy response to a badly performing public sector bank.



Bhagwan Chowdhry

But at least it is the right direction. By taking two or three public sector banks and merging them and saying now they are worth Rs. 60,000 crore and the good things and the bad things are going to cancel out, that doesn't seem like an answer either.

Shamika Ravi

I think you are really trying to isolate the management problems in terms of not having to deal with 12 badly run banks, you will now have to deal with four of them. And I really hope, I am not privy to the conversations happening behind the scenes, but I would hope that when the public sector banks were created in the '70s and '80s, barring nationalisation and a disaster of it, initially a lot of them were formed for very different roles. Some were meant to be agriculture finance; some were meant to be long term infrastructure finance. And over time because of the way they have been run they are all now clones of each other and therefore they are highly correlated in their bad performance. So I think that is what I mean, now perhaps is the time to specialise and make the books look better.

Bhagwan Chowdhry

Amartya, what were you guys thinking about? This must be something very close to what RBI is thinking?

Amartya Lahiri

I don't know what the RBI is thinking. I will tell you what I or CAFRAL is thinking. We have this obsession in India that somehow the government will solve our problems. The government is the problem, if you think about what has been going on for the last 60 years. The issue is whichever part of the government that we focus on a lot, the key delivery issue is the public services; education, health, infrastructure, finance which the government has taken over due to having been absorbed. That is where basically, the ability to deliver public services, the government has revealed itself to be incapable of doing it. Maybe because of the scale of the problem, maybe because of governance issues, whatever it is, our problem is that the government cannot deliver these services that it has appropriated the rights to. In this world while there are all sorts of issues with privatisation that one can point out in developed countries and now we are talking a whole different ball game about what those guys can deliver in public services versus what we can deliver which is zilch, we cannot deliver anything. And so consequently, the second-best approach here is that there is no surprise. You talked about the NPA problem; I have actually written a paper on this. So you start examining this NPA problem. What you are going to see is if you break it down, 45 percent of all Indian NPAs are concentrated in three sectors; mines, metals and machinery and construction, that is it, three sectors. And now if you ask, standard banking would say that productivity or profits and lending growth should be positively correlated. It is. At the two-digit industry level you look across and it is positively correlated except for three sectors; mines, metals and machinery and construction. You should expect that a sensible banker who is looking at the bottom line for his shareholders would be allocating



credit such that if you find that NPAs are high, NPAs and productivity should be negatively correlated. It is true that Indian banks on average across sectors, all of them have that except for three sectors; mines, metals and machinery, and construction. What are these sectors? It is precisely where the government is involved in delivering infrastructure. Now whichever way you are doing it, I don't know, there are lots of bright people who are telling them what to do and how to come up with the stuff. But why are these things just negatively correlated? The private banks also have some exposure to these guys, you don't see the NPAs going this crazy. The reason of course is precisely what you were suggesting earlier, indirectly, and I think you should suggest it much more openly, that the problem is that these bank managers in these big sectors are not making loans based on profitability concentrations, they are making loans based on phone calls. They are saying you have to lend to this guy; you have to lend to this sector because this is our priority sector. Just imagine the situation of the banking sector right now. The banking sector in India today it's remarkable that it can even breathe.

Bhagwan Chowdhry

It is not the priority of the country; it is the priority of the person making the phone call.

Amartya Lahiri

Yes, it is the priority of the person making the phone call. 19.5 percent of deposits are already earmarked as SLR. That is gone. Then you have got 40 percent of assets that have to be in priority sector lending. Who made that up? A bunch of guys sitting around a table. It is like the 'rat can fly'. The 'rat can fly' was drawn in a similar way. We joke

“At several instances, government has revealed itself to be incapable of delivering public services that it has set up.”

- Amartya Lahiri

about it to this day but that is exactly how a lot of these decisions are being made at the level of the government. Some guys are sitting around a table making decisions and they are coming up with these numbers

Bhagwan Chowdhry

Coming back to Shamika's thing about there not being a structure. She said we need to have more economists but there isn't a research-based policy making that should be looking at these issues in a more systematic way.

Shamika Ravi

Just a pointer, I want to emphasize. Amartya has made this impassioned point and let me just give you one statistic. The domestic credit that goes to the private sector in China is 140 percent of its GDP. Do you know what that number is in India? It is 40 percent. So now you have to seriously wonder which is the more socialist of the two countries meaning we just have to put faith back into what the PM calls wealth generators because your jobs are going to come from there. Here, we are talking to the converts, but the point is we don't have enough champions in Delhi. We need to make this plea all the time, make a case for how the growth of the last 30 years, what it has done to this country in terms of poverty eradication and why private enterprise is such a powerful concept and we need to support it in all forms.

Audience Question 04

This is Aparna, and I am from the Economic Development Board, Government of Andhra Pradesh. This question is for Shamika. Data on jobs is something that we can't dig at the state level or national level. How keen is the government in looking at the aspect of functional labour market information system or LMIS? It is a very critical concept. We have AI and IoT integration.

Bhagwan Chowdhry

We need to have more data about labour market, employment and unemployment and different types of employment. Where is that data going to come from?

Shamika Ravi

One is, the data architecture in this country is very old. And part of that effort over the last five or six years has been to overhaul the whole idea of doing a PLFS or Periodic

Labour Force Survey is exactly because you can't wait for five years for the NSA. So the effort is there to improve the architecture, all of that is still happening at the centre level. We ideally need a MoSPI, Ministry of Statistics Planning at the state level because I cannot emphasize this enough. India is a 28-state economy and they all have very different pathways.

Bhagwan Chowdhry

And a couple of union territories.

Amartya Lahiri

And growing.

Audience Question 05

I am Jitender, a student of Development Studies. My question is for economic policymakers and economists. Are they really worried about the public health because every time a public health crisis happens, nobody talks about the economics of it. It is only the socialist and the political scientists who talk about it. The lynching incident that happened in Bihar, nobody spoke about the economics behind it.

Bhagwan Chowdhry

I agree with you. Shamika, we don't have enough economists looking at it, and it is a big problem because these are all problems of resources and resources is basically what economists talk about; incentives and allocation.

Audience Question 05

(continued): Another part of my question is, coming to public health, the public health sector accounts for only 18 percent of doctors, so 75 percent people are going to 18 percent doctors and 25 percent people going to 82 percent of doctors, how fair is that?

Shamika Ravi

There are a series of papers. For example, if you are interested, it is all open source and you have access to it. It is true that 75 percent of health infrastructure in the country is in the urban areas. So that itself tells you about the skewedness in the load or availability. Then in terms of out-of-pocket, how much money is spent by an individual, what is the burden? It is very high for India. We

have improved it marginally from 67 to 63 percent now but China is at 36 percent. Thailand is at 11 percent. So out of every rupee that you are spending on healthcare, only 11 paise comes from an individual's pocket and the rest is borne by the state. In India, that private burden is very high. In fact, that is the reason why there is a renewed effort for Ayushman Bharat. But 75 percent of all IPD meaning in-patient hospitalization is private. So we basically depend upon private hospitals across the country. But in OPD, it is about 55 percent. So private sector is still a very large part of India's healthcare and medical tourism is one of our fastest growing sectors. But that co-exists just like India exists in different centuries at the same time you have one of the fastest growing tertiary care hospitals attracting patients from across the Indian Ocean neighbourhood. You also have a primary care sector which is dilapidated and particularly in the big states. In fact, Ayushman Bharat, I would say it is the first-time health has become a political subject and I am personally very happy about it because

it is good for citizens to demand it. It just cannot be left to the government. But the way policy makers see it, nobody wants to be in the health ministry, let's be honest. Everybody wants to be in finance or others; And what that means, I make it a point to say this, is that social sector is such a lazy way of putting all this human capital; health, education, gender, social sector. It is about time you start talking about health, education because each of them has very long-term implications.

Bhagwan Chowdhry

We are out of time. I will say that the world is going to become unipolar, and the polar pole is going to be in this part of the world. With a billion people in India and a billion people in China, with rising incomes, 8 percent growth, the whole economic centre of gravity is going to shift to this part of the world. And we have to do the work, we have to do the research and we have to do the dialogue. With that ladies and gentlemen, thank you all for listening.



VALEDICTORY SESSION

P Harish

We began today with a very scintillating session. We had the honourable Vice President chalk out what he meant by economic diplomacy in a fast transforming world. In his own unique, inimitable way he pointed out what the challenges are and how we as a country are geared to meet them and the new energy that has come about now that we have the government in its second term with new ideas, with new initiatives. We had the Minister of State for External Affairs, Shri Muraleedharan, also explain that the government's core belief is that business is not the business of government. So that should at least put to rest some of the questions that came about, about government and business. We had the ISB Dean speak about the important role played by ISB in bringing together

this wonderful group of intellectuals and how he proposes to carry on the dialogue on various themes and elements not only at discrete points of time such as the Deccan Dialogue I and now the Deccan Dialogue II but also have smaller groupings during the course of the year. That is something we will look to cooperate with the ISB on, during the course of this year. The first session today was very interesting. I was part of it, and we had discussions with the Ambassador of Brazil and the High Commissioner of Australia. I think it was a very useful understanding about the changes taking place in the global economic landscape, the intersection between geopolitics and geoeconomics, the domestic debate about the impact and utility of free trade agreements and the intersection of business and industry, special interest groups, politics and international



P Harish, IFS
Additional Secretary - Economic
Diplomacy and States Division,
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SK Joshi, IAS
Chief Secretary,
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**Professor Krishnamurthy
Subramanian**
Chief Economic Adviser,
Government of India

relations. There was no conclusive evidence but to say that governments cannot ignore what pain has been caused to their citizens, those who are being left out in the processes of globalisation, those who may feel aggrieved about being marginalised in the last few decades of fast-paced globalisation that we have seen. It has also been very clear that people everywhere are having significant issues about elements that are not necessarily big bang geopolitical events. They have issues with immigration, they have issues with jobs at a local level and these metamorphise into significant obstacles to the onslaught of globalisation and probably have been instrumental in halting it in its track. During the second session, of course we moved towards a discussion about industry, industrial revolution 4.0 and Society 5.0. Most of the discussion was about the former, we had very little discussion about the latter. But there was a broad consensus that we are very happy with Society 1.0 and are not very keen to move to Society 5.0. But we got unique insights from the government of Telangana. And of course, both the ministers of the government of Andhra Pradesh and Telangana spoke before that about their vision for their respective states for the economic development for attracting investments. But what was clear was that industrial revolution 4.0 is not just a mantra. It is actually being seen and it is being seen within a radius of five kilometres from here. And we had Principal Secretary Jayesh Ranjan explain how factories, once they had upgraded to the process of industrial revolution 4.0 are completely different institutions in terms of how they look at productivity, efficiency and are able to really leverage this in terms of their overall output. We also had a discussion in that about how the future would look once we are impacted by industrial revolution 4.0. We had honourable MP Jayadev Galla speak about the fact that we

may be having a five-day weekend instead of a two-day weekend. And what you do in those extra three days would be significant. Maybe a new business opportunity may emerge, maybe there would be a huge demand to learn the piano or to learn painting or how people would use the time they have should all economic output be confined to two or three days in a week. So it is really an emerging scenario and we do not know what would be the eventual impact of industrial revolution 4.0 on our individual lives. But what is certain is that it would have a significant impact. The next session, Dialogue III, was on soft power diplomacy and higher education. A very interesting debate; hard power versus soft power, what are the elements of India's soft power and of course, what stares us in the face is that just for one geography like the United States alone the total outflow of foreign exchange in terms of payment of tuition fee alone for students who go from India to the US is more than \$ 5 billion which is more than the higher education budget of the entire country. And if you look at the whole world the tuition fee payment of Indian students around the world is around \$ 15 billion which is more than the entire budget of the total human resources development ministry. So this is an issue, we did not have a much more in-depth discussion on this. But we were looking at it more in terms of push factors that are driving people, where they are going, attracted by the universities elsewhere and what we can do to attract students to come and study in our universities. We also had a discussion about yoga, about cuisine, about movies and what it is that really makes India very attractive for a common person outside. The fourth session on international finance in a multi-polar world was everything about national finance rather than about international finance. Nevertheless, I think he was completely driven by the fact that there is such popular

demand from the audience to understand the nuances of national statistical book keeping, statistical collection, what it means to us as citizens, and what the nature of the NPA problem is and the whole works as far as domestic economy is concerned. Very little about international finance and the only multipolar bit was of course the fact that it would be a unipolar world with its centre of gravity being in Asia which is I think as it is. But I think what came out was the fact that there is a much lesser understanding of macroeconomics in policy making and there is a need to really ramp up the elements of macroeconomic policy in terms of the understanding of it amongst decision makers. I think what we have seen today has been a very unique discussion. We have been able to bring about varied elements about what constitutes economic diplomacy. What is clear is that isolation is not an option. We need to be engaged with the outside world; prosperity cannot come from seclusion. But what should be the contours of such engagement and how do we ensure that this engagement is beneficial to our citizens, at a disaggregated level, at a level of the common citizen, what difference it makes in their day-to-day lives and in the quality of their lives. This has been the broad understanding. But I think the time has come now for us to listen to you sir, and your vision on this. Telangana has been a very progressive state and we look forward to listening to you as you give us your vision and how you propose to be engaged with all important, external, economic interlocutors and their influence and their resources to bear for the development of the state.

S K Joshi

Thank you Harish, good evening to our dear audience. I was here 15 minutes before the fourth session was coming to an end. So I think I am on a very difficult pitch which



is turning, and I really have to work very hard. Thanks Professor Bhagwan, you mentioned unipolar world and India would be one of the poles or part of the poles, whatever you want to say. So when I say apart from technological, socio economic and environmental triggers. Sometimes the governments also initiate disruptions both through omissions and commissions with the expectations of positive outcomes. Similarly, they have to face the consequences of disruption caused elsewhere. Do you agree?

Now in Telangana, instead of covering we want to do things in a different manner because we have the advantage of taking birth recently. So we don't have to follow the systems of the past. I will ask some questions. Why should the ten-year census be conducted? When technology is there today you can have information online. And for the 2021 census, we are preparing in 2019 and the result will come in 2025. Will it be of any use? No. so my first premise is do things differently and use technology because it is a great enabler. Now I will give some examples. Those who come from this part of the country know of one of our projects Kaleshwaram. Incidentally I used to handle infrastructure, large infrastructure projects in the state for quite some time, both united Andhra Pradesh and later after bifurcation. Before I started, my premise was taking a mission to Mars is easier than constructing a project in India because there are no environmental clearances, there are no PIELs. Once you plan your trajectory, your rocket or your spacecraft will reach wherever it has to go. We changed. I promised that 2015 onwards whether it was interstate disputes, environmental clearances, CWC clearances; we obtained all clearances and in three and half years the project, those who have seen it, is on the

“We live in an era of uncertainty and disruptions. Technology enables us to address these disruptions in a very effective manner.”

- S K Joshi

ground. Normally, these kinds of projects used to take 25 to 30 years. So if you think that you can perform things in a different manner, certainly I am sure that you can perform things in a different manner, whether it is health, education. Let CEA saab say something more.

Krishnamurthy Subramanian

Good evening everyone and thank you for giving me this opportunity to share my thoughts and the additional secretary of External Affairs as well. Given that this Deccan Dialogue was on economic diplomacy, I want to share some perspective on what I think is the need for economic diplomacy. Let me first start with something that was in the news yesterday and I would lend my perspective on the 5 percent growth. Let me look at it this way. We have been in previous periods when the growth has come down to around 5 percent and we have bounced back. I will actually give you a reason in jest. So five in the Indian ethos has a very important significance. Think about the Panchabutham; Prithvi, Agni, Jal, Vayu, Akash, or think about the five senses. So I think there is something extra rational about the 5 percent. Why I am saying this is because every time we come down to 5 percent, we bounce back. And I will remind the audience about the 2002 period. I remember doing my Ph.D. at that time, it was just a year after I had started my Ph.D., growth had come down to about below 5 percent and things were not looking that great. But then just a couple of years back there was an election that was

being fought on the slogan ‘India Shining’ which is something that we must keep in mind. There have been previous periods where we have gone through situations of slowdown in growth. I think it is also important to make the distinction between a growth slowdown versus the ‘R’ word Recession, which is defined as a shrinkage in output for two consecutive quarters which is in other words a negative GDP growth. So I think we have to be very careful in what we are talking about. There is a slowdown and we will definitely bounce back given the steps that are being taken. But having just briefly talked about something that must be in the minds of everyone let me outline why we actually need to focus on economic diplomacy today. I think one of the key reasons why economic diplomacy is important is this somewhat misplaced perception that the GDP data or the GDP growth rates may not be stating the growth rates correctly. This is something which I want to, and in every forum whenever I have got an opportunity I have tried to clarify. It is very important to understand it, so I am going to spend some time talking about this. Let me first give you a non-technical reason and then I will get to some technical reason, but I will try to keep it in a way that is easily understandable to everyone. The first thing, if we look at some other countries where sometimes there is say the perception that data may not be reflecting accurately. The strength of India is that we are a democracy. And now having spent close to eight months in government, one of the things that has struck me really is the number of nodes





through which any policy actually goes through, number of touch points of policy making. And in a democracy where there is definitely the opportunity to express a different perspective, I think it is very hard to create a narrative that is different from the truth. That is something which is very important because unless everybody in that chain ends up using that particular narrative, it is very hard to create a story that is different from the truth. That is just a process point. Let me get to some technical aspects which are very important which is why economic diplomacy is important. We changed in 2011 from what was basically a volume-based indicator to a value-based indicator. Just to give you a simple example if you take one kilogram of uncooked rice, you cook that rice versus you take that one kilogram of rice and you make it into Hyderabadi Biryani. Now clearly, the value that you have in the one kilogram of Hyderabadi biryani is very different from just one kilogram of plain cooked rice. But from a volume perspective, the one-kilogram rice remains the same. Now when you use a volume indicator you basically are not making a distinction between the one kilogram of just plain cooked rice versus one kilogram of Hyderabadi biryani. In contrast when you are using a value indicator you are indeed making a difference between those two. Now this is a sort of hypothetical example but if you translate into reality, if you measured value-added in the telecom sector, in the earlier series which was a volume indicator the number of subscribers was the proxy that was used to measure value added. Now, I could have a phone and Joshi saab could also have a phone. Maybe he is a lot more communicative

with his wife and therefore talks a lot more to his wife than I do. And then if you look at the number of subscribers as a proxy, he and I would be measured the same in terms of the value added. But the new indicator which basically uses the number of minutes of usage, in that the fact that he is adding a lot more value to the telecom sector than I am adding, because I also have a phone but maybe I am not using it as intensively, that is something that is captured. This is but just one example of the change that has happened. The other important point which is a little bit of a technical point is that just goes back to high school algebra. If you take a fraction a/b even if let's say the numerator and the denominator are both measured with some error or bias that does not necessarily translate into the fraction also being estimated with a bias. It is a very important point. Why? Because GDP growth rate is basically the growth rate this year divided by the growth rate last year minus 1. So because of the change in the nature of measurement, if you are using let's say, and I will come to that in just a minute, because of the change to the new series which by the way brings us, because of the value indicators, in line with the UN's system for national statistics. Even if there is some error in that, it does not translate into an error in growth rate. This is something which is very important for us to understand. The other point that I do know that there have been articles written on it using sophisticated and unsophisticated methodologies, something that we must definitely keep in mind is that if you look at correlations it is a statistical artefact that any correlation is what we call non-stationary,

which means that the value of that correlation keeps changing. For instance, if you use, and there have been some work showing, if you take 2011 break which is when we use the new series correlations with some other known indicators like auto sales, electricity etc. the fact that the correlations are changing before 2011 versus after 2011 does not indicate anything much at all because just by their own definition correlations change very much. And in fact, there are other studies that show that just using the same series, if you change the year, the correlations change. Also the other point being, if you want to actually go through that route of questioning the over estimation in the Indian GDP numbers using what is called a difference in difference methodology, if suppose India's GDP is overestimated by 2.5 percent using the methodology then the first question to be asked is of Germany where the over estimation is 3.5 percent. I think these are all important points that we must keep in mind. This is why economic diplomacy is important, because we need to go and clarify why there may be volatility in the numbers. But volatility and bias are two completely different things. And lastly just on the volatility bit itself, we put out a note a couple of months ago explaining this, and it is important for viewers to understand. Because often times, we hear this narrative that there are shell companies, the MCA data uses these companies and maybe therefore there is overestimation. Remember all the points that I have already made. But the last point that is important is by let's say 31st of December

which is when you want the data to be in, you have many companies who report their numbers. But you also have companies that do not report their numbers. Now if you want to measure your GDP, you cannot ignore those companies that have actually not reported their numbers because that will lead to an underestimation of GDP because they are indeed contributing to economic activity as well. So what do you do? You actually extrapolate and that is what is called the scale-up factor. You extrapolate from the companies that have reported to those that have not reported and you do that based on the ratio of paid up capital which is basically just a proxy for the equity or the net worth of the company. What is important to keep in mind here is that these companies that have not reported and therefore you are doing some extrapolation, their contribution to the overall level of GDP itself is between 12 to 15 percent. Just 12 to 15 percent, which means that if you do a back-of-the-envelope calculation to say that suppose these companies that are not reporting, there is a problem from them, that is what is accounting for a 2.5 percent increase or overestimation of GDP, then you are talking about these companies that are not reporting, of the order of 12.5 to 13 percent higher growth rate than the rest of the companies which I don't know if it is easy to rationalise. So broadly, this is a very, very important point because if there is mistrust about the growth rates that can affect the way the foreign investors view India and this is therefore very important, I thought that I should be using



this platform to clarify that this is one key aspect of economic diplomacy. It takes some time, that is where academic debate is important and undeniably that is something that has to happen. But to expect that we will get to calibration immediately is, I think being a little unrealistic. There is some volatility. But volatility and bias are completely different things, and this is something that we must acknowledge. So I think for me, suppose someone who is basically in this role and let's say is involved in economic diplomacy, the most important point that I would make is saying that our growth rates are what they are. The final point that I will mention is if suppose there is any incentive to try and intervene with these numbers, this would be the time that the government would intervene. When would you want to go and intervene? When the growth rates are not looking that good. So you can't have slowdown on the one hand and on the other hand saying that there is interference in numbers. This is the first point that I actually want to make very, very clearly. But a second, which is a more long-run aspect that is important to keep in mind, which is the importance of foreign capital and foreign direct investment for India if we have to achieve the \$ 5 trillion economy goal. Yes, the Q1 growth has been 5 percent. But the Economic survey talked about having to grow at 8 percent for us to be able to achieve that \$ 5 trillion economy where productivity and capital become very, very critical. If you look at the nature of FDI that comes into India, a significant proportion of that FDI is in services. But what is needed a lot especially, and some of the conversations that have happened, we do need to worry about the lowest common denominator. And for us by far the most important priority for the lowest common denominator in this economy are jobs. It is the national priority. And if we need a significant number of jobs to be

created then the manufacturing sector has to contribute significantly to this. And therefore, FDI in manufacturing is quite important as well. And here is where productivity, some of the structural reforms that the government is focusing on related to labour reforms for instance because that is something which was shown in the survey, which actually keeps firms basically very small. And firms that are small are generally not as productive. So these are important. If we have to attract a lot more FDI in manufacturing, then we really need to be focusing on some of the structural reforms and also on enabling a lot more exports. I just want to finish with this particular comment that there are often times this point is made that because of de-globalisation our exports may not do as well. I think it is really important to look at this in some perspective. Our share of overall global trade is actually less than 2 percent. So even in a shrinking pie of global trade, we certainly can increase our slice of that pie. So I think there is no reason for us to be despondent about the trend of de-globalisation. Because, certainly by being a lot more targeted and increasing the share of our pie in global trade, we can be exporting a lot more which by the way comes back to productivity and therefore in that foreign capital and foreign direct investment which also brings in technology is quite important. I will just end with this that when we look at foreign capital, I think it is equally important to focus on the quality of that, which is how much does it benefit domestic productivity. We should not only just look at the quantity. Let me summarise by saying that economic diplomacy in today's age is extremely important both from the perspective of actually setting the right narrative, making sure that we clarify where we need to clarify, and also in being able to attract capital for us to enhance productivity and thereby realistically shoot

towards the goal of the \$ 5 trillion economy. Thank you very much for your patience.

P Harish

Thank you for that and thank you for giving a new definition to what economic diplomacy should include because now I realise that taking the nuances of national statistical data to a global audience in a manner that restores confidence in our data collection system and in our GDP figures is also part of economic diplomacy and that is a prerequisite in order to convince foreign investors to do it. So this is a new element added to my task and we will work on this in close cooperation with your office. Thank you very much. Since we are at the end, I wanted to talk about one other issue. There was this whole debate about productivity increases in the last five years and what emerged from the data was that most of the productivity enhancements came in the FDI invested sector followed thereafter by the domestic private sector and lastly followed by the domestic public sector. So do you see this as an anomaly or is this in the nature of things where these productivity enhancements would not immediately come to the domestic sectors but would be visible in the FDI invested sectors.

Krishnamurthy Subramanian

I think that is an excellent point. And this is one area that shows that indeed, when one looks at the entire value chain of activities, there is a spill over of productivity from FDI on to domestic firms. And I think this is also true. Generally, it is a statement that I am making, on average the private sector is actually faster to latch on to some of these technological innovations than the public sector. And therefore, it is not surprising at all that it is the private sector that latches on and the spill over first goes into the

private sector and then the public sector. This is another reason why we should also be focusing on enhancing the presence of the private sector and thereby enabling the full benefits of FDI into productivity to come in.

P Harish

I also wanted to hear your thoughts on agriculture. A majority of our population is involved in the agriculture sector. There is farmer distress, the government is focused on it, and the Prime Minister is committed to double farmers' incomes by the year 2022. What do you think are the economic bases and what can we do to facilitate this process?

Krishnamurthy Subramanian

Again, a very important question. While there are a zillion issues that I can go into, I would try and cut the clutter and just focus on two things. I spoke about manufacturing and jobs in manufacturing. I think if we look at the overall value-added, agriculture versus the number of people who are in agriculture, we actually have a lot of people just basically trying to till a certain amount of land. Enabling jobs and thereby enabling migration of some of those who are actually tied to the land into manufacturing is I think the first thing that we should be doing. Because there are surveys that show that the new generation; children of farmers do not necessarily want to be farmers. So if they have the opportunity to go and work in a manufacturing job or in a services job, if there is a good job, and by the way a side comment that I must make is that by far the best form of financial and social inclusion is a job in the organised sector. Because when one person gets a job the entire family actually has income that is certain and that can enhance education, that can enhance healthcare.

Industrial revolution 4.0 is not just a mantra; it will happen. While it is uncertain how it would affect everyone, its impact will be highly significant.

- P Harish



"If we need a significant number of jobs to be created, we need the manufacturing sector to create opportunities. Attracting foreign investment in manufacturing is crucial."

- Krishnamurthy Subramanian



And so, to come back to agriculture, it is important that we actually reduce the burden on the land by enabling people to migrate into manufacturing. Secondly, what is also important is that in agriculture while we focused a lot on the productivity dimension, for me I think what is really critical is to emphasise on enabling markets for the farmer. And here I actually want to especially focus on the small and marginal farmer. So there is again very careful research that shows. For instance I will pick up one strand of research that looks at potato farmers in West Bengal. If you think about it, why is it that the farmer does not get a very good value for his produce? There is enough value addition that is being created. But that value added is being shared among different people in the value chain and intermediaries end up picking up good fraction of that value added. We have to ask the question why is that the case? Because the farmer often times is beholden to that intermediary because the intermediary provides him credit. So the farmer does not have enough bargaining power because he or she cannot say that if you basically do not pay me Rs. 20 per kg for the potatoes I am going to go and sell it to someone else, and that bargaining power is extremely critical. Here is where I think things like Kisan credit cards and the e-NAM for instance can actually go further. e-NAM at this point is basically B2B but we can for instance have an Uber for agriculture. These are areas

which can really help in bringing markets to the farmer, which will benefit the small and marginal farmer by far the most because he will have more bargaining power and thereby he will be able to get a much better fraction of the value-added. So it is a function of two things, bringing more competition and enabling information to the farmer, both of which are extremely critical. So that has to be the emphasis

S K Joshi

As far as agriculture is concerned, I don't buy the argument that agriculture per say is non-remunerative in India. If we change our policies, there are many people who are willing, young people using technology, using resource efficiency. Like the honourable Prime Minister is saying, double the income of farmers. It could be achieved in two ways; increase the kind of productivity, increase the value-added chain of production plus simultaneously reduce the cost of cultivation. And the cost of cultivation you can always reduce by resource efficiency, micro irrigation, organic farming, there are so many things. So it is a doable thing provided we put all our heads together.

P Harish

Thank you very much. We are almost near the end of the session. Thank you very much for a patient hearing.



Sundeep Jammalmadaka, Associate Director - External Relations, Indian School of Business, compered the Deccan Dialogue 2019.

VOTE OF THANKS

DNV Kumara Guru

First of all, thank you to each and every one of you for being here the entire day. But first and foremost, I want to thank the speakers. When you organise a conference, you do it because you are trying to create an opportunity or an engagement platform for ideas to be exchanged, ideas to be exchanged not necessarily one way, and that is where the moderators come in, the speakers come in, people are here sharing ideas. But it is also important, and the common thing that I picked up from all the panellists and the moderators today was that, it is also the engaging audience that got them to keep going, so a big round of thanks to all our speakers. We had speakers who came from all over. We had the honourable Vice President but

like I said in the morning, the Minister of State for External Affairs had just taken a 24-hour flight and he came, just one hour after he landed at the Shamshabad airport, he was here on stage. So thank you very much. This morning I spoke about Prime Minister Vajpayee. But I also am tempted to say another thing that is associated with ISB. There is a book that our founding Dean Pramath Raj Sinha has written about ISB. There is only one book so far. I am sure that in the days to come there will be several books written about ISB. This book which was written about eight years ago is called 'An Idea Whose Time Has Come'. This is from a famous quote, but I think his thing was that ISB was an idea waiting to get formed and the founders made it happen. I am going to borrow from that a little bit for the



DNV Kumara Guru, Director - External Relations, Indian School of Business

Deccan Dialogue and I am going to say that three years ago, when Dr Vishnu Vardhan Reddy, Additional Passport Officer, came in, we were talking about increasing our engagement with MEA for which I should actually give the credit first to Ravi Shankar Aisola, who had a long tenure as the Head of the branch secretariat and really got MEA closer to Andhra Pradesh, Telangana, Hyderabad, over the period of his stay here and really got a lot of us engaged in multiple ways to work with the MEA. But when Vishnu came here, the idea of doing more came up. I was always fascinated about this very nice thing that happens in Delhi in the first or second week of January called Raisina Dialogue. And I said we should do something like that in Hyderabad. We started talking and we said what should we name it? We said we are in the Deccan, so we shall call it the Deccan Dialogue. So that is how the Deccan Dialogue came into being. There was the Economic Diplomacy Division which we felt can be a good home. Very soon, the States and Economic Diplomacy Division got merged which made it easier because Vishnu was reporting into the States division. And so, it now became his full-time task to make this happen. Why I am mentioning this long story is because it is an event of this magnitude, and yesterday someone mentioned that it is important to have the Ashoka Chakra, and the credibility of the entire event, whatever you do in India, goes up. And the Ashoka Chakra comes in different forms and different ministries. But this is a great way to do it, especially when your topic is economic diplomacy. So we have a great partner in the Ministry of External Affairs. When I say partner, it is a co-host, we are co-organisers. But we have got a lot of latitude in being able to do what we want to do, an idea that is proposed and has got acceptance. We have of course disagreed too; we have also had patch-up coffee sessions. But at the end of it all, it has come together. We have had a new leadership under Shri P Harish who took this division over just two months ago. Thank you very much for your support sir, Vishnu thank you very much for what you have done. To your entire staff, many people in Delhi as well, Smitha and many others, thank you very much. That is about the partnership that we have. An event of this nature also needs sponsorship which also means that we can host this lovely lunch, we can pay for all the bills etc. and also in-kind support as well. We have got The Hindu supporting us. Many of you would have seen the ad in The Hindu, in The Business Line and that is the support we have got

from The Hindu Group, Kotak Mahindra Bank and also Sunny Side Up who has been a partner for several years here at ISB. I want to thank all the sponsors but importantly, I want to thank all of you, the audience. I started off with all of you with my photographic proof. But all of us have multiple exciting opportunities, multiple exciting things to do on a Saturday. And this is a long weekend. There is Vinayak Chaturthi on Monday, there are many things that one could be doing but you have decided to invest eight to ten hours of your time here at ISB attending Deccan Dialogue. So please give yourselves a big round of applause. Because there is no fun in speaking to an empty auditorium, I can tell you that, there is absolutely no fun. One of the things that we have learnt at ISB over the years is that if we know that we will not get a good audience, we still end up doing something, but we will do it in a boardroom. Because in a boardroom, there will be 15 people and people feel that the room is full. They are still not lying; it is just that nobody asked them how big the room was. This is the biggest auditorium that we have at ISB and the auditorium is full. There is also a large online audience. So all of you who have been following us on Periscope and Facebook Live today, thank you very much for taking time and watching us whether at work, trying to sneak and catch us on mute, I want to thank you. I want to give some statistics in terms of the numbers. We have spoken a lot about statistics today and this is a number that can be audited. We had 1390 registrations for Deccan Dialogue II. This is a very large number. We were able to confirm, after going through some processes only about 850 because our internal yardstick says only 40 percent show up. How many of you got phone calls here because that is a very large number? So we called all of the participants who had confirmed, and we got about 80 percent confirmed saying that they will be there, and that number was about 510 or so. And the capacity of this hall is 408. So we had 510 confirmations, we had several other guests etc. and so we ended up this morning with about 600 people, people sitting here, two classrooms, those who couldn't come in here because of the fact that they came in a few minutes late or there was no space, people were sitting there. It makes us feel good, it makes us feel that really all the efforts that were put in is worth it because there are people keen to participate in a conference like this, engage in a dialogue like this. We have a bunch of army officers, we have people from academia, people from

regular diversity mix of the audience that you can find in Hyderabad sitting here and attending the Dialogue. So it is a tribute to all of you. Thank you very much. I also want to recognise and thank several members of the diplomatic fraternity over here. Very few of them were actually on stage but there were many of them here as well; people from Thailand, Iran, US, the British Deputy High Commissioner and many others. Some of the honorary consuls were here, so to all our friends from the diplomatic community, thank you very much for your support. Good news like this needs to be told and needs to be told in a more amplified manner. We are very fortunate at ISB that there is good support from the media. So I want to thank the media community as well for being here today, this morning and for covering all our events. I want to thank my colleagues from Operations, my colleagues from IT, Commercials, Finance, the interns from LRC, who made all the phone calls to all of you, our Security team. Likewise

our service partners; F&B partners, partners who are providing all the audio-visual services, IT support etc., a big round of applause to all of them. And lastly, I want to make a mention of the team that has worked hard on this for the last several days because we are not professional event organisers. We all have a full-time day job that we do at ISB for which we are primarily paid for. One of the things at ISB is that if you come up with a good idea, you have to execute it. So when we came up with this idea, the Dean said, "great, go ahead and do it." This is something that the team had actually been working hard on. Can I just quickly call upon the entire team to come up on stage just so that all of you can see them and appreciate the work. Srinivas, Sridhar, Raghu, Sandip Nair, Nagaraju, Sireesha, Mudita, Sumangala, Varun, Laxmi, Naman, Prashant and the person who was harassing all the moderators or was trying to compete with them, Sundeep J, a big round of applause for all of them. Thank you very much.








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