Designing India's Global Economic Engagement

CONFERENCE REPORT NO. 3, 2018

Where geopolitics meets business

Ministry of External Affairs
Government of India

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Gateway House: Indian Council on Global Relations is a foreign policy think tank in Mumbai, India, established to engage India's leading corporations and individuals in debate and scholarship on India's foreign policy and the nation's role in global affairs. Gateway House is independent, non-partisan and membership-based.

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GATEWAY HOUSE
INDIAN COUNCIL ON GLOBAL RELATIONS

The Gateway of India Geoeconomic Dialogue

Where geopolitics meets business

12-13 March, 2018 | Mumbai

Ministry of External Affairs

KEY NUMBERS

30 countries represented

40 panellists from **16** countries

13 top global ministers and officials

275+ delegates

Diplomats from **22** countries

Experts from **12** Indian think tanks

Experts from **19** International think tanks

KEY ATTENDEES

- Minister of State for External Affairs, Govt. Of India
- Minister for Commerce and Industry, Civil Aviation, Govt. of India
- Minister of Entrepreneurship & Information Technology, Republic of Estonia
- Vice Chairman of NITI Aayog, Govt. Of India
- Former Foreign Secretary of India
- President of Council on Foreign Relations
- G20 Sherpa & Former Deputy Foreign Minister, Argentine Republic
- Indian Permanent Representative to the WTO

PRESS

20+ press organisations in attendance

PRESS COVERAGE FROM:

NATIONAL

BloombergQuint, The Indian Express, Times of India, Free Press Journal

REGIONAL

Reuters, NRINetwork News, Press Information Bureau of India, Navrashtra, Navshakti

INTERNATIONAL

CNN, The New York Times, Financial Times, Economist

DIGITAL

4.3 million impressions online during the conference

25 Engagements from countries around the world

1000+ MENTIONS #GOIGD2017 was trending on twitter on the 12th & 13th March

Attendance from more than **23+** businesses including global and Indian CEOs

एक्ज़िम बैंक EXIM BANK भारतीय निर्यात-आयात बैंक EXPORT-IMPORT BANK OF INDIA

Konrad Adenauer Stiftung

MMDC

Tech Mahindra

Foreword

The third Gateway of India Geoeconomic Dialogue was held at the Taj Mahal Palace Hotel, Mumbai, on 12-13 March, 2018.

The theme of the conference, Designing India's Global Economic Engagement, reflected the intensifying complexity of global governance and economics at a time when the new rules of a technology-driven global order are being framed. With India now in a position to participate in the new rule-making process, the discussions were particularly relevant.

This signature event was co-hosted by Gateway House and the Ministry of External Affairs. The Dialogue began on a high note with a wide-ranging exposition of the exciting changes underway in the Indian economy by Gen. (Dr.) V.K. Singh, Minister of State for External Affairs, and Urve Palo, the Minister of Entrepreneurship and Information Technology of the Republic of Estonia, who brought alive the possibilities of borderless commerce and virtual citizenship.

Inadequately understood consequences of the new era of trade in services, digitisation of economies, and appropriate legislation for new technologies, were examined in depth and with wisdom by experts and practitioners. The interplay of three countries – India, China and the U.S. – which are marking their positions in these emerging platforms, suffused the Dialogue. The actions and ideas from these three countries will shape the future eras of economics, technology and politics. China, in particular, was the subject of incisive discussion – the internal logic which determines its economic decision-making, its impact on the global economy and the myriad ways to engage profitably with this Asian giant.

Rajiv Kumar, Vice Chairman of NITI Aayog, pointed out the various initiatives of the government which have brought the Indian economy to the cusp of formalisation. A focus on building physical infrastructure as also a robust digital economy, will ensure a sustained 7% and more growth rate for the next decade. This advancement is enabling India to make a commensurate contribution to global governance, through multilateral fora like the G20, which are attempting to regulate the transformations underway.

There was high-level representation from 35 countries – senior officials and 40 experts who were joined by diplomats and representatives of 19 international and 12 Indian think tanks.

The GoIGD coincided, as is now customary, with a meeting of the Think20 group, which is the ideas bank for the G20. This year, the presidency of the G20 rests with Argentina, many of whose issues and interests, such as agriculture and the future of work, converge with India's.

A roundtable discussion of the Think20 was officially held by Gateway House under the banner of the 2018 Argentine Presidency. The Indian and Argentine G20 sherpas opened the discussions, which preceded the Geoeconomic Dialogue. Gateway House hosted this meeting in collaboration with the Argentine Council for International Relations (CARI), with support from Indian megacorporations, like United Phosphorus and the Godrej Group.

Mumbai's business community and a galaxy of global experts on governance and economics formed the audience of this conference. Indian companies, such as Tech Mahindra and the Exim Bank of India, development corporations like Maharashtra State Industrial Corporation and Germany's Konrad Adenauer Stiftung, were instrumental in supporting Gateway House and the Ministry of External Affairs. The stars of Mumbai business and the Maharashtra government interacted with scholars and policy-makers, both Indian and foreign. In its third year, the Gateway of India Geoeonomic Dialogue has become a must-attend on the global geoeconomic conference calendar.

Gateway House continues the commitment to its founding mission to bring business and diplomacy together.

Neelam Deo and Manjeet Kripalani
Founding directors
Gateway House

Inaugural Message

Suresh Prabhu, Minister of Commerce and Industry and Civil Aviation

The Gateway of India Geoeconomic Dialogue is a great forum. I wanted to participate in it myself, but unfortunately, I was not able to attend it this time because of my parliamentary duties.

Gateway House
@GatewayHouseIND:
Thank you Min. @sureshpprabhu for your message to #GOIGD2018! "As India emerges as the fastest growing large economy in the world, Gateway House has emerged as one of the top think tanks in India, bringing together and working with the top thinkers of the world."

As we know, India is now emerging as one of the fastest growing large economies of the world. We will soon touch the $5-trillion mark, and we're in the process of preparing a roadmap on what this $5 trillion will look like: $1 trillion will come from manufacturing, $3 trillion will come from services, $1 trillion more will come from agriculture. And to make this happen, we're working closely with industry, with all the stakeholders, to put each strategy in place so that we realise its full potential.

It was only last week that the Cabinet approved Rs 5,000 crores, almost $1 billion, to be earmarked for service sector growth: 12 champion sector services have been identified. So we really look forward to this -- and are trying to work with you to make sure that we work as a team to make India a real growth strategy. This will never happen without think tanks working closely with us. I therefore wish to offer my best wishes. We will soon get an opportunity to use this platform to propagate the good work that is being done in India, but let me take this opportunity to congratulate you and thank you very much.

Blaise Fernandes
@BlaiseFernandes:
#GOIGD2018 nice tribute to @ManjeetKrip co-founder @GatewayHouseIND by @sureshpprabhu in his special message for the inaugural of the 3rd edition #GOIGD2018 #wheregeopoliticsmeetsbusiness @anandmahindra @TVMohandasPai

Inaugural Keynote

Address by Gen. (Dr.) V.K. Singh,
Minister of State for External Affairs, Government of India

Honourable Minister Urve Palo, Minister of Entrepreneurship and Information Technology, Republic of Estonia; distinguished speakers who are here from various parts of the world; decision influencers and decision matrix developers present; all the members of the diplomatic corps, ladies and gentlemen, it's a pleasure to be here in Mumbai for the third edition of the Gateway of India Geoeconomic Dialogue. I was present at the previous two as well, and have seen it growing and contributing in a major way to an understanding of various geoeconomic issues.

Ministry of External Affairs, Government of India @MEAIndia:
In keynote address at 3rd edition of the Gateway of India Geoeconomic Dialogue with Gateway House, MoS @Gen_VKSingh, reiterated India's commitment in rules based multilateral trading order.
Ms Urve Palo, Minister of Entrepreneurship and IT of Estonia in presence.

The subjects placed on the agenda are not only comprehensive, but they also make people think. I am quite sure that at the end of it, we will have some concrete outcomes. It's difficult to put timelines to such issues: to do so is to make it all too cut-and-dried. But I think we should be able to put timelines for some of the issues we will be discussing here. I was told that you have already had very fruitful discussions today.

Today, both in India and the world, fundamental and far-reaching economic and political changes are taking place. Each impacts the other because the world is flat. We're connected, we're dependent on each other, we source from each other, and therefore, the roundness has probably gone. We need to ensure that there is a greater synergy between what each nation does and what it benefits from.

There are small countries that contribute certain things that are used worldwide: everybody sources from them. And similarly, expertise of different kinds has developed in different parts of the world. At the same time, we also face the challenges of protectionism, which we need to examine, debate and find ways out of so that everybody benefits.

Speaking of the global economy, the global GDP grew to around 3.6% in 2017; it is marginally up from 3.2% in 2016. I think the forecast for 2018 is an upgraded version of 0.2%. I always tell myself that statistics are figures that have been tortured enough to yield desired results. The results, in economic terms, can only be seen when things happen on the ground. This 0.2% increase needs to be seen in terms of how it is going to affect the various facets of the economy worldwide. Then, yes, the statistics are right.

Where India is concerned, we have been tagged the fastest growing major economy: the estimates are 7% to 7.5%. If we follow the digital route, we might increase it, but 7% to 7.5% in today's system is very good. This augurs well for the way the Indian economy is growing and how various sectors are on the rise. We heard Minister Suresh Prabhu speaking of what a $5-trillion economy may look like. My own fervent wish is that the manufacturing sector grows.

It is the manufacturing sector in any country that contributes to actual GDP. The services sector does too, but this varies: it can plummet or shoot up, in a very short time. And therefore, it's the manufacturing sector that's the solid base. There are industry captains sitting here, who, I am sure, are watching how they can ensure that this sector takes off, considering the type of demands that the growth in the economy will raise. From the point of view of global recovery, I think the situation remains fragile; it is also affected by the clamour for protectionism.

We need to look seriously at how protectionism is going to affect each member of the global community – because that will certainly put brakes on the type of growth that we're looking at. Our Prime Minister too,

during the World Economic Forum in Davos, said that protectionism is one of the major challenges the world faces. We have faced it before, but now, when we're more and more interconnected, this challenge is much bigger.

If there are trade wars, and we protect our own turf, in an interconnected world, the situation is going to be bad for everybody. There will be no winners. Solace lies in ensuring that it is always a win-win situation: if one wins it is possible for the other also to do so. But if only one person wants to win, the so-called losers will get together and ensure that this winner also goes down. So we need to be ensuring that all our policies are such that we can protect ourselves from the protectionism that seems to be raising its head.

Looking at our own domestic economic front, we have made several commitments to maintain a multilateral, rule-based trading order. We have liberalised the FDI regime, reaching sectors which were regarded sacrosanct, taboo, where nobody entered. Today, FDI has gone everywhere, allowing for greater growth. Every investor wants to come to India. As you know, India has been one of the favoured investor destinations in the world, we have attracted more and more FDI, and today, not only has the content gone up, but the number of sectors in which FDI has entered has also increased.

Where business is concerned, the insolvency and bankruptcy code as well as the financial resolution and deposit insurance bill have been brought in to make things better. We have introduced several laws to enforce the contract regime. The Arbitration and Conciliation Act has also been made better so that it ensures that businessmen have confidence in the safety of their investment.

The Goods and Services Tax (GST) has been in the news for many reasons: it was in the offing for almost a decade before being introduced. And like with all things newly introduced, you will have problems.

We're at a stage where this is becoming firmer and better, and will be of benefit to everybody. There were issues needing to be looked at: no issue can be solved solely by one agency. Everybody has to pitch in. GST, then, is going to yield better results, both for the type of revenue that can be garnered and for how matters can be simplified for the rest of the community, which trades, manufactures or deals in services.

The World Bank's ranking on Ease of Business has raised us by 30 points. But I look at it differently. Rwanda serves as an example. It's a small country, but many of you present here will know that today, Rwanda is attracting many foreign investors by only one simple measure: ease of doing business. It takes six hours there – which is not as quick as it is in Estonia – to be ready to set yourself up. Therefore, in a globally connected world, people are looking for places to which they can go, start manufacturing, and reap the benefit. It helps, then, to encounter a facilitatory tax and trade regime. It helps, not only the businessman, but also the country because tax-paying is also transparent. This is the kind of ease of doing business that we need. There are heads much wiser than mine, who are working on making the system in India better.

An open economy with an environment that facilitates ease of doing business is only one factor. The other is improved connectivity. How do we connect by air, sea, road? If not, trade will not take place. Several initiatives have been taken in this regard – and all this must come with a rule-based transparent system. If you don't have that then nobody will develop the confidence.

There has to be transparency: the person should be able to see what is happening and so also the authorities. When legitimate taxes are paid and there is no siphoning off, there is a greater amount of confidence – in the manufacturers, in the people putting up their businesses, in the fact that things are transparent, and they know what they are giving (to the government) and what they are saving.

As part of connectivity in India, there is the Sagar Mala project for the coastal trade that we want to enhance. It's much easier to transport things by ship or boat, and therefore, many small ports are being developed all over the country – that is why it is called Sagar Mala. Sagar is 'ocean' and Mala is 'necklace'. Similarly, we also

have the Bharat Mala project to improve land connectivity. Four-lane roads are being turned into eight-lane ones with better routes. With the GST regime in place, one cuts down the amount of time that a logistic unit will take, travelling from one end of the country to another as there are no tolls to be paid en route.

Similarly, Project Udaan was conceived to boost regional air connectivity, and under its aegis, small airports are being developed, which will make it easier for people to reach inaccessible areas and send out their goods. It will help in the creation of hubs, from which to reach a bigger air hub and go anywhere internationally.

Where our external connectivity is concerned, I would like to mention Chabahar port. It is operational: the first shipment of 15,000 metric tonnes of wheat from India went to Afghanistan by this route. It will make India's connectivity with Afghanistan and Central Asia easier. This ensures that there is better reach for both sides, they can cooperate with each other where business and trade are concerned.

Press Information Bureau, Maharashtra @PIBMumbai: "The current GDP growth rate of 7% - 7.5% is very good; there is a need to ensure that the manufacturing sector of the country takes off with the types of demand raised by the global and domestic economy" @Gen_VKSingh #GOIGD2018

India has also been admitted to the Ashgabat Agreement. We have simplified the border management procedures and new transparency measures have been put in place so that transaction costs can be reduced.

Our connectivity has improved on our eastern end with ASEAN. Work on the trilateral highway is progressing, except for the bridges, because of difficult terrain. We have the Bangladesh-Bhutan-India-Nepal (BBIN) Motor Vehicles Agreement (MVA) between Bangladesh, India and Nepal, which will ensure better trading between the three nations without vehicles being stopped or delayed.

This dialogue achieves many things. It not only brings together excellent people, who talk and discuss, but it also generates a great amount of curiosity in the ideas thrown up. With Minister Urve Palo giving you a glimpse of what E-Estonia is, we ought to be looking at where we are. What can we do to make things better, and how can we plug into a digitised economy to reap the benefits of the progress that has been made? Similarly, various ideas that will come from the best practices being followed in the countries that speakers have come from will allow us to concretise the type of measures that we need to take. We can make use of the kind of regimes that exist in terms of trade and other aspects in those countries which will improve matters for them and us.

Today, there is a great demand for various things, depending on quality assurance and ease of doing business. Quality assurance, which remains the cornerstone, took a leap in the aftermath of the Second World War. It's the Japanese who understood the actual purport of quality. In 10 years' time, they ensured that the ground glass lenses from Germany became outdated and replaced them with polished glass lenses from Japan, which thereafter ruled the roost. That is where quality counts.

With emphasis on quality, on a rule-based, transparent business regime, and with better connectivity and better dialogue, the entire world economy can benefit from a corner of the world, where probably the economy is booming. That is what we're looking at.

I wish this dialogue great success and eagerly look forward to the outcome. I am sure you will not mind putting some timelines to it. Thank you very much. Jai Hind.

Special Address

Designing a global digital economy

Urve Palo, Minister of Entrepreneurship and Information Technology, Republic of Estonia

Your Excellency Honourable Chief Minister, ladies and gentlemen, it is my pleasure to be here and address you at the Gateway of India Geoeconomic Dialogue.

I can see India's role increasing in the world today and I am also pleased that India shares common strategic interests with the European Union, including Estonia. I am here today, accompanied by the best Estonian companies looking forward to doing business in India and making new contacts. I hope that we will find good Indian companies interested in Estonia for growing their business and making investments as there is a lot that our country can offer.

Gateway House @GatewayHouseIND: Hon'ble Minister @PaloUrve kicks #GOIGD2018 giving a glimpse into #Estonia's digital society: a forward thinking strategy where everything from voting to residency to health data is digitized.

As you all know, everything digital has truly taken over! Some new game-changing technologies will be around in just a few years. The automotive industry has declared that by 2021 autonomous vehicles will be commercially available. Kids born today won't need to apply for a driving license – unless, of course, they really enjoy driving cars themselves. These changes will affect our industries, lives and capabilities. They will also influence the way we earn money, how we operate and what is self-evident for us.

In Estonia, we strongly believe and know from experience that digital solutions can really empower economic growth and the well-being of people. Digital development can bring significant economic gains in various ways – from a better business environment to direct growth in terms of jobs, exports and better public finances.

To start with, a bit of background. Estonia is a country that extends beyond its borders. We are a small EU member state in Northern Europe. However, maybe exactly due to our size, digital has been our development engine. Just for comparison: your population is 1.3 billion, ours is 1.3 million! Digital innovations have helped our country undergo fast development over the past 20 years. And we always like to look forward.

Dinesh Joshi @DineshJoshi70: A country with a population of just 1.3 million has a lot to teach to many others. Fantastic insights by Hon Estonian Minister. There's a lot that we can learn from you ma'am !

Estonians are at the very edge of digitisation of both public and private services. We are open to new and innovative solutions. We believe being digital empowers us and saves us lots of valuable time.

Since the 1990s, Estonia has focused on developing e-services, either in relation to banking, parking, prescriptions, declaring taxes, voting, signing documents, establishing a company or other activities. Doing all this online has provided us with notable accessibility, convenience and efficiency. The government has been at the forefront of this development.

Today, almost all public services in Estonia are digital and accessed through secure digital identities that are provided to every citizen and resident.

Besides making life easier from a business perspective, IT solutions help us make life easier for everybody, especially in moments when you need your country the most – that is, for instance, in healthcare: 95% of health data is digitised and 97% of doctors' prescriptions are digital.

This means that in an emergency, for example, a doctor can use a patient's personal ID code to read time-critical information, such as blood type, allergies, recent treatments, on-going medication or a pregnancy.

The ID card complies with the highest EU standards and provides citizens with digital access to all of Estonia's secure e-services, releasing them from bureaucracy and making daily tasks faster and more comfortable.

Another cornerstone of e-Estonia is the X-Road data exchange system, which works like an open source highway for data traffic. The unique aspect of this system is that it lacks a centralised or master database – all information is held in a distributed data system and can be exchanged instantly upon request, providing access 24/7.

Public and private sector enterprises and institutions can connect their information system with X-Road. This allows institutions to save resources, since a cooperative and secure data exchange layer already exists with all the other X-Road members. Over 900 organisations and enterprises in Estonia use X-Road daily. Using X-Road saves us more than 800 working days each year.

By the way, today, Estonia has shared its e-governance journey with 60 governments and exported its solutions to over 130 countries around the world.

Of course, when having this much action online, we need to think of our cybersecurity.

Ladies and gentlemen, I am happy to say that another cornerstone of e-Estonia is our secure cyberspace. Being a digital society means exposure to cyber threats. With solid investments in cyber security infrastructure, Estonia has developed extensive expertise in this area, becoming one of the most recognised and valued international cyber security experts.

For example, today it takes 207 days – or seven months – on average to discover data breaches. With Estonian KSI block chain technology, these breaches can be discovered instantly. In fact, Estonia is the first country in the world to use block chain technology at the national level for security purposes.

With all these factors in place, we have managed to build and offer digital services that are, in fact, attractive to the wider world. For this, we have opened up our digital services to the world and are eager to expand in this direction. The e-residency provides a transnational digital identity to anyone in the world to do location-independent business online. I invite you to join our digital nation: run a company in the European Union from a distance and digitally sign documents.

Marina Kaljurand
@MarinaKaljurand:
EST Minister of Entrepreneurship & IT
@PaloUrve speaks @GatewayHouseIND
about e-Estonia and Estonian-Indian
cooperation #GOIGD2018

There are already over 30,000 e-residents from more than 150 countries. They have established more than 3,000 new companies in Estonia; and they run more than 5,000 companies. I am happy to say that Estonia already has more than 1,200 e-residency applicants from India!

The numbers are still small on a global scale, but we are only getting started. Already today, each week we receive more e-residents than there are babies born in Estonia. Hence, we grow faster in digital space as an economy and country.

We are now also focusing on the new and exciting field of Artificial Intelligence (AI). For Estonia, AI is e-governance 2.0. We see it as an enabler for a far more efficient and user-friendly future. We believe there should

be a cross-sectoral approach to AI and we do not believe in over-regulation. For instance, just last year, we found a way to test self-driving buses on the streets of Tallinn without changing any laws.

But AI is not just about self-driving cars. Another example of what we like to do with AI in Estonia concerns our healthcare sector. In the Estonian healthcare system, we aim to build an AI assistant for our family doctors, whose aim is to combine all the health records, genome data, real time measures and all the scientific research available to give advice to the doctor.

And these are just first steps. E-Estonian progress has been stable, but it does not stop here. Make sure you keep yourselves updated with what we are doing, because e-Estonia is the future of e-governments.

Dear friends, I have been praising my country a lot, and it's all because I truly believe in it. I know that India has also made some impressive steps in establishing its digital society.

I would like to invite you to visit Estonia, talk to our companies and experts and I hope we can build and develop a joint digital future.

Thank you and I wish you interesting discussions during the conference!

Breakfast Dialogue

India and the United States in a changing Asia
Session Notes

Shyam Saran, former Foreign Secretary, Ministry of External Affairs, Government of India, was in conversation with Richard Haass, President, Council on Foreign Relations, New York, U.S.A.

Key points

This is a moment of challenge for the world order, but it also offers great opportunities. China's sphere of influence is expanding while the United States' is declining and regional powers are becoming important. Ambassador Saran, quoting Chinese leader Mao Zedong, said, "Everything under heaven is in utter chaos; the situation is excellent."Ambassador Haass' response was that the idea of chaos was not "excellent" unless the status quo was threatening. He argued that the post-World War II international system--the United Nations Security Council being an example--is in our interest to preserve and strengthen by innovating and designing new rules, based on new sets of realities. The world does not organise by itself, its natural tendency is towards entropy. Therefore, the major actors have to try and ensure order.

Alyssa Ayres @AyresAlyssa: Amb Shyam Saran: the Indo-US economic pillar is weak, but no reason this shouldn't be a stronger part of relations. Needs urgent repair. @GatewayHouseIND #GOIGD2018 @RichardHaass

China's rise calls for engagement, not containment. China's rise has opened up opportunities for many smaller countries. As an important global actor, China must integrate into the emerging multilateral frameworks. But its coercive behaviour needs to be checked by countries like India that don't share the pre-deterministic idea of a hegemonic order in Asia. While the U.S.' Asian allies must overcome their diffidence, it (the U.S.) too needs to be a more reliable partner. India is the only country in Asia which can stand up to China, but whether it steps up to that role is intricately linked to its domestic politics.

Is the U.S. the greatest threat to the U.S.-led global order? Currently, the issues vital to the U.S.' strategic interest are the security situation on the Korean Peninsula, followed by Iran's activities in West Asia, the U.S.' relations with Russia, the refugee crisis in Venezuela, and from the standpoint of the Trump administration, fixing the global trade order. But what is worrisome is that looking at the current global disarray, there is no consensus in the U.S. on what needs to be done on many of these issues. Outside the U.S., there is a perception that the greatest threat to the post-World War II order is coming from the current U.S. worldview itself. President Donald Trump believes that the cost of maintaining this order has outweighed the benefits that have accrued to the U.S. – and this is a historically unprecedented situation.

Global cooperation can show the way out of global disarray. A hegemonic order is not the best approach to the complex challenges facing the world today, such as climate change and proliferation of Weapons of Mass Destruction.

Dennis Snower
@DJSnower:
Richard Haas & Shyam Saran on how to preserve the liberal world order, at @GatewayHouseIND Geoeconomic Dialogue. Haas: we are moving from a US-led world to a nobody-led world. So far the results aren't pretty.

Many of these were seen as national crises when they began, but transformed quickly into regional and international challenges. Only collaboration among states will ensure a semblance of order. Countries also need to find ways of cooperating beyond governments to ensure a role for legislatures and corporations in the realm of foreign policy .

India and the U.S. are developing 'habits of strategic cooperation'. Despite their Cold War animosity, the two countries today share a strong security convergence, unaffected by the domestic politics in the U.S. India is moving towards becoming a leading consultation partner for the U.S. if a crisis were to strike in Asia. From the U.S. perspective, there are very few countries that can match the investment opportunities India has or the possibility of a long-term positive relationship. Therefore, both countries must envision an ambitious global agenda for cooperation, spanning cyber and climate change among others, notwithstanding their weak, sometimes almost adversarial, trade and economic relationship.

Beneficiary countries of the 'liberal' world order have to step up. Ambassador Haass argued that the alternative to a U.S.-led world is a nobody-led world. This has given opportunities for countries such as China, Russia, North Korea, Iran and Turkey to promote their agendas, posing a threat to the existing liberal world order. So it is imperative that countries that have benefited from the existing order, like India, Australia, Japan, South Korea and Europe, have to be prepared to step up and play a greater role. Regional arrangements, a notch below the alliances, facilitating greater coordination and intelligence sharing, are the way to go.

Geoeconomic Dialogue I Financialisation: reshaping the global financial architecture

Session Notes

Introduction and objectives

Financialisation of economies was once believed to increase efficiency and productivity. But evidence has mounted to suggest the increasing influence of the financial sector has distorted the production of goods and services, increased instability and led to political and social regression in developed countries and some emerging markets. A global effort is under way to temper financial liberalisation through more effective regulation, better knowledge of markets and improved pricing and evaluation of risks. Such changes require, among other things, a better understanding of the role and impact of innovations like blockchain technologies on markets.

Gateway House @GatewayHouseIND: "At a time when profits are private, losses are public, and incentive structures are skewed in favour of risk, how do change the regulatory structure to best align interests?" @KNVaidy's question for Dr. Eric Ben-Artzi, Deutsche Bank whistleblower.

The panelists for this session were: Zeti Akhtar Aziz, former Governor, Bank Negara, Malaysia; David Rasquinha, Managing Director, EXIM Bank, Mumbai, India; Eric Ben-Artzi, Partner, J & B Consulting, Tel Aviv, Israel; Claude Lopez, Director, International Finance and Macroeconomics Research, Milken Institute, U.S.A and Kiran Shetty, CEO, SWIFT India. The discussion was moderated by K.N. Vaidyanathan, Senior Adjunct Geoeconomics Fellow, Gateway House and Executive Vice President and Chief Risk Officer, Mahindra & Mahindra, Mumbai, India.

The discussions focused on financial sector reforms that will: reshape the global financial architecture and ensure financial stability and market integrity; foster financial innovation while accounting for its positive as well as negative effects; build market infrastructure; and recognise that increased market complexity is irreversible. The panelists touched on lessons that the South East Asian countries learnt from the Asian Financial Crisis that helped them build resilience and weather the global crisis of 2008.

Key points

Finance is a means to an end, but not an end in itself. Financialisation causes distortions when finance becomes an end unto itself. The real test of financial systems is whether they contribute to the productive economy by facilitating commerce and promoting ultimate goals like environmental sustainability. Countries must focus on liberalising their economies and building regulations that improve the health of whole economic systems. This is more achievable when

countries align with like-minded countries to accomplish these goals.

Effective regulatory measures are essential to understand, evaluate and mitigate systemic risks in financial markets. Pre-agreed mechanisms must be established for financial institutions to intervene in markets if operating risks arise. Central banks must use their reserves, which total $11-12 trillion today, as a backstop against risks. They must coordinate efforts to ensure that this productive capital, otherwise locked in, is channeled appropriately into their economies. Countries also must create effective systems to price risk of both private and government defaults (counter party risk or country risk) while recognising that the data available to them may not be reliable. Better enforcement of the existing regulations is needed instead of more regulations.

Innovations in financial markets could be a double-edged sword. Innovations like digital technologies and big-data analytics will transform financial markets, but some debatable technologies like crypto-currencies should be used with caution.

K. N. Vaidyanathan
@KNVaidy:
#GOIGD2018 Key takeaways:
Reshaping Global Finance Architecture to focus on *A Financial Stability, *B Market Integrity, *C Technology & Innovation, *D Infrastructure Risk Management. Enjoyed moderating - Terrific session - Great panelists - Active audience

Ethics and values play an important role in financial markets. A culture of financial hygiene – accountability, transparency and responsibility – must be developed. The corporate structure must be reformed to reduce the control of CEOs and boards. The incentive structure must be made more democratic. Professional boards can be created. There is a need for a non-U.S., non-European G20 to strive for greater transparency.

Keynote Address

New India @ 2022

Rajiv Kumar, Vice Chairman, NITI Aayog, New Delhi, India

Good morning, everybody.

It is a great pleasure to be here. But I can see that this – a talk on the Indian economy – is a minor issue of sorts compared to the much weightier issues of global geostrategy that have been discussed. So, I do hope you will bear with me and have the patience to listen to what we are trying to do in terms of shoring up the Indian economy.

We inherited an economy on the decline, one where private investment was pretty much on strike, exports were in free fall, employment was stagnating – or declining. Worse still, as a result of the punch bowl that had been kept open during the last few years of the previous government, non-performing assets (NPAs) had risen enormously and banks had stopped lending to industry. They were lending only to those to whom they were, in some sense, being forced to lend.

Ambassador Rajiv Bhatia @Bhatia_RK: Rajiv Kumar, VC, Niti Aayog: "India is on cusp of sustained, high and inclusive growth trajectory for next 5-10 years."

This economic legacy continued to plague us for a good three years. I said this in July itself – when the data first came out – that we reached the lowest point of economic activity in about July 2017: the first quarter result for 2017-18 came in at a very dismal 5.7%. People started saying, 'this is it for the Indian economy' and 'we won't ever look up'. I was the lone voice at that time, saying, 'I think we have bottomed out. We will begin to see growth again.' Thankfully, that did turn out to be true. The second quarter had the figure at 6.5%, followed now by 7.2% for the third quarter. Economic activity has picked up momentum since then.

We have some good results to talk about now. Those of you who have seen the latest Index of Industrial Production (IIP) figures of January 2018 will notice that it has risen by 7.5%. Manufacturing, which constitutes about 77% of the IIP, has gone up by 8.7%, despite the fact that the tobacco sector has experienced a decline of 46%, which I don't mind very much actually. The two weak sectors that I noticed, and which must change, are textiles and readymade garments. I'm sure they will do better, going forward, knowing the effort the government has put into them.

There are other amazing figures. The Society of Indian Automobile Manufacturers (SIAM) put out a figure that showed that the production of cars in this country increased by 31% in January; and so did that of three-wheelers. We are a country where people use three-wheelers all the time. Now, we're getting into electric three-wheelers in a very big way; production has almost doubled. Compared to the previous January, it rose by 99%. And yesterday, when I was talking to Mr. Anand Mahindra here, he said we need more capacity down the line, in components, and so on.

Similarly, construction is up by 4.3% in the third quarter. It's not very much, but when you compare it to the 1.3% in the previous year, you can see that there is a beginning. These are the two sectors that have some of the largest multiplier effects in the economy, the backward linkages. And once these two start moving, the others will perhaps follow.

Services are up by 7.2%, and growth in exports, according to the Ministry of Commerce, is expected to be 8%. This is not as good as it should be, but nonetheless, it's much better than the negatives and the declines that you've had in the previous three years. Air passenger traffic has seen growth of 27%, year on year. We have also seen incredible expansion in air freight volumes.

The weakness in our case has been private investment. Non-food credit to industry has actually declined, reaching -0.6% last year. That was up by 8.6% in November and is now up by 12%. Therefore, banks are

beginning to lend again. One can see a tightening of liquidity for the first time in a long time – as reflected in the rise in both deposit and credit rates in the banking sector – and a growing demand for commercial bank credit.

Gross fixed capital formation is again not the best, but a growth of 7.6% is not so bad. Yet the investment to GDP ratio, which had peaked at 36-37% in our case, is now down to 31%, but up from the 28% or 27% to which it had declined. All this, therefore, proves for once that Moody's is right for having upped our credit rating, the only agency to do so. I wish the others had followed them because they would have then got the credit for this.

Let me rephrase: Moody's has said that going forward, Indian economic activity will pick up steam, and the economic cycle – the investment cycle too – has turned. Private investment – exports – are now looking up. I expect the Indian economy to beat the IMF's estimate of growing by 7% or 7.1% for 2018-19. I will put my bet at 7.5% going forward this year, and rising. This is what I'll explain in the next 10 minutes or so.

Julian Leuthold
@JulianLeuthold:
Vice chairman @RajivKumar1 discussing the @NITIAayog's plans to deliver ease of living index within next six months, will be designed to have states and perhaps districts competing. Would be nice to see this idea exported beyond India. #GOIGD2018

The title of my talk was 'India – New India at 2022'. Let me now, therefore, shift gears and tell you what I'm looking at next year. From where I am at the moment, right in the middle of the economic activity in Delhi at NITI Aayog, cutting across a whole lot of silos and sectors, I can be optimistic enough to say that we are at the cusp of sustained, high, inclusive growth.

This growth does come with some downside risk, which I will come to later. If those downside risks don't matter and we can address them, then growth will continue for a decade, or longer, which is what we need. I wrote a paper in 1984, on my first visit to Japan, when I said, India was a land of "perpetual takeoff". It kept taking off and falling back. The time has come that we will take off and we will get the required escape velocity.

The reason for that is rather straightforward. For the first time ever, you are seeing a much greater formalisation of economic activity in this country, of parallel economic activity. We said that the parallel economy was 20% 20 years ago: Shankar Acharya, my friend, had done this first estimate of 26%. Some then said 35-40%; that kept rising. This is the economic activity below the radar, below tax compliance.

That's ended finally and we have turned a corner there. The numbers in terms of tax returns, the Goods and Services Tax (GST) and personal income tax, are showing a buoyancy of more than 2, which is unheard of. It's a huge increase there. Another friend, Surjit Bhalla, whom you recently heard, said that the fear of a revenue shortfall will be a story of the past.

We will get steady revenue increases, both from direct and indirect taxes, because of the major steps that we have taken: one, improving direct tax compliance, making it all digital and much simpler. Two, the GST is creating an absolute revolution. Nearly 1.8 million new GST tax payers were added in two months' time. These are some incredible numbers.

Such formalisation means that now, the time has come for Indian small and medium industries to finally become part of global and regional value chains, which was not so until now. So far, these entities – 56 million of them, according to the last census, where the major competitive advantage was – simply dodged taxes. They existed, but never expanded, and therefore, that was the Mystery of the Missing Middle in India, the mystery of our giving birth to not babies, but midgets, in our corporate sector. I think all of that will change because of the formalisation that we have now seen in the last two years.

The second big trend, which is again quite new, is the huge improvement in governance. This means that for the first time, we are reversing the gulf between private and public sector performance. We had taken for granted that the private sector will continue to grow at a rate which the public sector will never be able to match. So therefore, there were these huge, private, beautiful residential complexes which matched California's, built around golf courses, but when one came outside, roads didn't exist and there was no water

supply. Therefore, the middle class, the elite of India, got used to finding private solutions for public problems all the time, and simply said, 'Oh, the government just doesn't deliver, it won't work.'

So, if you didn't have water, you bored your own wells. If you didn't have electricity, you got your own generators. If you didn't have good education, you sent your children abroad. For the first time, I submit to you, that this government is about replacing that soft, non-working, sometimes corrupt, government with a development state in India. And the main mandate that it has for itself – which ought to be the primary mandate of any government – is ensuring that the delivery of public services is efficient, transparent, and improving all the time. That is why the Prime Minister keeps talking about not just the Ease of Business Index, but the Ease of Living Index too, which NITI Aayog will come up with in the next six months and in which states and districts will compete.

As a part of this, we have selected 115 'aspirational' districts. They are, in fact, the most backward districts in this country. And we have taken it upon ourselves to integrate the government schemes in such a way that the benefits are more widely distributed in these districts. We will lift these 115 districts up to the national average. This will be the best proof, in some sense, of this government meaning business in terms of improving its delivery of public service.

The third very major trend – and you will have noticed it too – is zero tolerance for corruption in the higher echelons of government. This does not mean that it's going to be limited to the higher echelons. No, it just takes time for it to seep down to the ground level.

And hopefully, if we have the Ease of Living Index, which will capture the interface of government authorities with common people and we have states competing on this basis, we can accelerate the process of ensuring zero tolerance for corruption as we go down the chain in terms of licences and permissions and so on.

To give you an example: I had a meeting last week with all the principal secretaries of food and agriculture from all the states covered by NITI Aayog. We insisted that each of them legislate a new Agriculture Produce Market Committee Act – now called the Agriculture Produce and Livestock Marketing Act – which will eliminate all restrictions on inter-state transfer of food products. In conjunction with GST, the APLM Act will dispense with border checks and associated corruption.

And last, but not the least, the huge big trend is the use of direct benefit transfer, the Jan (or 'people') Trinity, as we're calling it. The use of Aadhaar is an amazing achievement in the last five to ten years – a very positive legacy of the previous government – for linking all transfer payments directly to beneficiaries' bank accounts. We have already made 2.7 lakh transactions – or Rs 2.7 trillion in transfers directly into bank accounts – and thus saved about Rs 60,000 crore of the government's money.

So all those leakages, the gravy train that existed – which Rajiv Gandhi made immortal by saying that only 15 paise or 15% of all the rupees spent on transfers actually reaches the beneficiary – will soon be a thing of the past. These are some of the incredible, new processes – such as the GST – that have been set in motion. Demonetisation came as a shock. But I have been a big supporter of the move.

As for inclusion, it is evident in the emphasis that our Prime Minister has given to all those schemes that will benefit those who have been excluded so far, such as the 400 million people who have been without electricity and who now have access to the Saubhagya scheme. When we started the electrification of villages, there were as many as 18,000. Now, we have only 1,000 left of which 920 are in Arunachal Pradesh. It requires people to carry loads of equipment to get these villages connected.

Millions of our women, who have suffered from the lack of a commercial cooking medium, will now get free gas connections. Or there is the construction of rural roads under the Pradhan Mantri Gram Sabha Gram Sadak Yojana. Therefore, when I said that we are at the cusp of a sustained period of rapid inclusive growth, it

was not just hyperbole. It was based on facts.

Besides, an important thing that the Prime Minister has said is that we will not let development be an elite activity, but a mass movement in this country. To give you the historical precedent for this, our independence movement started in 1857, led by feudal lords, kings and queens – and was crushed, of course.

It was in 1888 that the Indian Congress party was formed, again an activity of the elite, working out of the clubhouses of Mumbai. In 1942, Mahatma Gandhi gave the call for Quit India, saying, 'That's enough; let's go'. It was at that point that our independence movement became a mass movement. Every Indian – from the farmer in Champaran to students in Kolkata and Punjab – everybody thought that they were now party to the independence movement. And lo and behold, five years later, we were independent!

Therefore, the Prime Minister is saying that if we make development a mass movement, if we change the process so that every Indian feels a participant in it, if the benefits don't just trickle down, but are taken to the person directly, we can accelerate the pace of growth even further and make it more inclusive and empowering, and thereby more employment-generating as well.

To convert the nature of our development process, we have put in place many reform measures, such as in agriculture. NITI Aayog has been tasked with finding a solution to how farmers can receive the Minimum Support Price (MSP) that was announced for 24 agricultural commodities: though announced, it was never adequately disbursed due to delays of various kinds. We at NITI Aayog came up with a bouquet of three schemes or solutions that we will offer to state governments. We will start this as a pilot process in the rabi season, the season that has just started, with the harvest beginning to come in, and roll it out by the time of the kharif season, that is, with the produce due in October or November, which is what the Prime Minister promised.

One of these schemes is to permit state governments to act – intervene in the market – without seeking the clearance and permission of the central government, which used to take a few weeks, and farmers faced a lot of distress in those three or four weeks. But now they can go in right away and make the procurement at the Minimum Support Price.

A second scheme that is even more innovative is to have traders within the market do the job of government agents, procuring the produce at the Minimum Support Price for a set of incentives that we offer them. They are thus, for the first time, converted from people who are buying at lower prices and making a killing to those who will be buying at support prices, with the government offering them incentives. This thus lifts up the whole enterprise, enabling the farmers to get the support price that's been announced.

More importantly, we have also been tasked with announcing measures and rolling out pilots, which will double the farmer's income in the next five years. I want to assure you that this is not merely a pipe dream. We in NITI Aayog now have ten pilot projects on the anvil. We know we can do this within the next two or three agricultural seasons because the technology is there, and the organisational structures can be created.

The distance between the farmer – or farm gate – and market can be reduced so that he can get a better share of the value that is added. Farmers can also be induced to shift from growing only traditional crops to those of higher value. They can also move into floriculture, horticulture, vegetables and other items. It is doable, we have done it. We have collected maybe more than 50 such examples in the country. The NITI Aayog's mandate is to replicate and scale them, which is what we will do.

So, we are now focused for the first time ever on agriculture, which has remained our Achilles' heel. I think in the budget speech, the finance minister did not talk about just raising agricultural production, but about raising farmers' incomes. And that's a huge change in the way the government is approaching the whole idea of agricultural modernisation.

On health, you just heard our announcement of the Universal Health Insurance Scheme which will cover 110 million households – about 500 million people – and it will be universal within this year. Many people, including my friend, Mr. Chidambaram, went out of his way to say that this is under-funded and there's no money for it, etc. I've just seen the budgets, the numbers: the total cost for the next two years will be about Rs15,000 crore, of which Rs11,000 crore will come from that 1% cess that the finance ministry has levied on income tax payers. And there is Rs4,000 crore in the budget already. So, any talk of this being an under-funded or non-funded scheme is not to be entertained. And let me end the matter there.

With this, for the first time ever, the poorest of this country, who today meet 68% of their health expenditure out of their pocket and for whom every health episode means a trauma and a slippage back below the poverty line, will find that their health issues and everything to do with non-communicable diseases, etc, will be taken care of by the government to the extent of Rs 5 lakh per family. And you can imagine what an improvement that will be in terms of social security, productivity and so on.

Manjeet Kripalani
@ManjeetKrip:
Time for Indian medium & small industry to take off; no more midgets in corporate sector; upping public sector performance and creating a real development state in India with proper delivery of public services where states will compete:
Rajiv Kumar @ #goigd2018

Time is running out, but I want to say a little about Udaan. We had this wonderful viability gap funding scheme, called Udaan, where the government said that they will subsidise air traffic to airfields that are not otherwise commercially viable. It has been amazingly successful. Several airports and towns in the North East are now connected. The government, lo and behold, has announced Udaan 2, which will give viability gap funding for Indian carriers to fly from the North East to international destinations, such as Singapore and Kuala Lumpur, Myanmar and Thailand, in two hours of flying time. Manila may be the next to be covered by this scheme.

What we've discovered under Udaan is that once you start, supply genuinely creates its own demand. And therefore, the risks before the government, the ones I talked about, are much lower than expected.

There are many other examples of the reform measures that the government has announced. But let me end here and say that I do see a few downsides. One, of course, is oil prices. If they go above $70 a barrel, India will face a fiscal crunch. Luckily, the good news last week was that U.S. shale oil has come back to about $65. So, I think the prices will be moderated.

The Saudi oil minister was in town yesterday and I've been on board with him: he himself felt that prices are now beginning to moderate although he would much rather have them rise until the Aramco IPO comes through later in the year. I think oil prices will be moderated.

The second risk, of course, is global protectionism, trade wars, and how this will turn out for India. India did escape the Asian financial crisis in the 1990s because we were not so connected with the region. And similarly, here, our growth is not so dependent on external markets. Our net exports have always been negative so far. We're a domestic consumption and investment-driven economy; so, we might not be too badly affected by a marginal increase in global protectionism. Of course, a full blown trade war between China and the U.S. will badly affect the entire global economy.

Now is the time for India to have a much bigger share of world markets and ramp up its export activity at $243-250 billion. We're just not in the game at all. I think we should go up: we are currently at 1.6% share of manufacturing trade. We need to expand that. I think the trade protectionism trend will pass. Maybe we will use this time to prepare our supply side, have much better infrastructure.

The third downside risk is something that always existed in a democracy, which is political instability. I can't comment on it: I would rather have you tell me whether you see India as a politically stable regime, going forward, or an unstable one – because, clearly, I'm in a very biased position here.

The last risk: could India itself slip into a protectionist stance? This year's budget, for the first time since 1991, announced tariff increases on about 100 commodities. In my view, this is surely a transitory arrangement, introduced to take into account that our Make in India experience was not as big a success as we wanted. It has been forced by the fact that many of our Small and Medium Enterprises (SMEs) have taken a huge beating from Chinese imports and other free trade agreement partners. Besides, the boost to domestic production that this will give will help increase employment more rapidly.

We do want to give some space and respite to our SMEs, but also use this time consciously to improve infrastructure facilities and remove the supply side bottlenecks by reducing costs – of transactions, of energy. If we do this, then the need for this protection – which I don't agree with personally as I have always believed in global and open orders – will no longer exist in the future.

So the three or four downside risks I mentioned are easily manageable. Let me end on as optimistic a note as I began: in the next five to ten years, India will be on a much higher, sustained and inclusive growth trajectory.

Thank you very much for your patience.

Geoeconomic Dialogue II
The future is trade in services

Session Notes

Introduction and objectives

Over the past two decades, trade in services has become the most dynamic segment of world trade, growing at a faster pace than the trade in goods. Despite this increasing role, policy-makers, businesses and analysts have limited knowledge and inadequate data about the services sector. As a result, progress has been slow at international services negotiations. What are the challenges to services trade at bilateral, plurilateral and multilateral levels? What regulations are required for services trade?

The panelists were: Ambassador J.S Deepak, Permanent Representative of India to the World Trade Organization (WTO), Geneva; Hector Torres, Senior Fellow, International Law & Research Programme, Centre for International Governance Innovation (CIGI), Canada; Pascal Kerneis, Managing Director, European Services Forum (ESF), Brussels; Patrick Low, Fellow, Asia Global Institute (AGI), Hong Kong and former Chief Economist, World Trade Organization (WTO), Geneva; and Juma Al Kait, Assistant Under-Secretary, Foreign Trade, Ministry of Economy, UAE. The discussion was moderated by Andrew Crosby, Managing Director, International Centre for Trade and Sustainable Development (ICTSD), Geneva.

Pascal Kerneis
@EUServicesForum:
Proud to contribute to "The future is trade in services" at #GOIGD2018 organised by @GatewayHouseIND #GOIGD2018. Legal certainty crucial for business. Binding commitments through trade agreements is an important tool. India needs to engage further.

The issues discussed pertained to changes in global trade negotiations over the past few years and the challenges associated with them. They spoke about India's stance at some of these negotiations and called for greater Indian participation. They discussed why India's proposal for a Trade Facilitation Agreement in services is facing resistance at the WTO. They were sceptical about negotiations designed to create a plurilateral services agreement, known as the Trade in Services Agreement (TiSA), which currently is being negotiated.

Key points

Services need to be better defined, understood and measured. Thin research and a dearth of data on services trade, especially disaggregated by partner country or company, makes it difficult for countries to evaluate existing cross-border exchanges. This, in turn, hampers the design of bilateral, plurilateral or multilateral agreements. Certain services are embedded in the trade of goods, and often these cannot be accurately captured.

Domestic regulations are the mainstay of services negotiations today. Countries are pushing for disciplines on domestic regulations that will level the playing field and more effectively enable cross-border services trade. These

Andrew Crosby
@ACrosbyICTSD:
Honored to facilitate global #services dialogue at #goigd2018 strategic inputs for #India #asia #wto prior to mini-ministerial

involve measures relating to qualification requirements and procedures, technical standards and licensing requirements, as well as streamlined ways for meeting regulatory requirements. Such domestic regulations can hinder trade and make market access and national treatment commitments commercially unviable. If not negotiated properly they can prevent a free exchange of services trade across borders.

Disputes on other issues are preventing the WTO from addressing trade in services issues. Services negotiations at the WTO have been hostage to the Doha Development Round of 2001 – especially on issues related to agriculture. Developing countries which are pushing for progress on negotiations on food security, agricultural subsidies and public stockholding of food, say they will withhold support for services negotiations unless progress is made in addressing their interests in the Doha Round.

Consequently, the United States has consistently blocked WTO negotiations on agriculture and food security over the years, with no permanent solution in sight. Given these circumstances, with multilateral trade agreements stuck, many countries are now negotiating plurilateral agreements. While not ideal, this is the best possible option today for trade between a group of countries, and might form the basis for future multilateral trade negotiations. For example, some provisions of the recently signed Trans Pacific Partnership (TPP) might serve as a model for any services-trade agreements.

Christopher Grossman
@ChrisGinMumbai:
Learned a lot from the #tradeinservices panel at @GatewayHouseIND #GOIGD2018 thanks to @acrosbyictsd @jumaalkait and the rest of the panel @TajMahalMumbai

Negotiations on trade in services is a priority for India despite the deadlock at the WTO. To realise its full potential in the services trade, currently around 11.5% of GDP, India is seeking to participate in negotiations at multilateral, plurilateral and bilateral levels. Its proposal for a Trade Facilitation Agreement in Services (TFA) at the WTO is the first step. Many consider the proposal, which outlines transparent and 'behind the border' domestic measures to facilitate services trade, to be low-hanging fruit. However, some WTO member countries oppose the proposal, citing its ambitious mandate. It covers an array of issues -- such as, different services sectors and modes of supply, visa fees and procedures, standardised qualifications for the movement of professionals across borders, portability of medical insurance and others -- that do not usually fall within the ambit of trade policy.

PRO Ecuador
@ProEcuadorIndia:
Héctor Cueva, our trade Commissioner, attended The Gateway of India Geoeconomic Dialogue organised by @GatewayHouseIND.
It was a fantastic opportunity to discuss the impact of technology in trade relations.#GOIGD2018

Some developing countries, like the African Group, do not support the proposal because they feel it will impose burdensome obligations on them.

Geoeconomic Dialogue III
Engaging China, the geoeconomic giant

Session Notes

Introduction and objectives

China's journey to global economic giant status has accelerated at astonishing speed. On the way, Beijing has sharpened its kit of geoeconomic tools, including state-owned enterprises, private companies with digital, financial and manufacturing prowess, multinationals, both Chinese and foreign, multilateral institutions, think tanks and universities. Together, these are powering China's market dominance and economic statecraft. How can developing and developed countries alike engage and compete successfully with this formidable combination?

The panelists were: Prakash Menon, President, Global Retail Business, NIIT Ltd., Shanghai; Claude Smadja, President, Smadja & Smadja Advisory, Geneva, Switzerland; Ryan Manuel, Director of Policy & Research, Asian Global Institute, Hong Kong; and Toshinori Doi, President, Policy Research Institute, Japan. The discussion was moderated by Indira Ravindran, Adjunct Fellow, China Studies, Gateway House.

Aashna Agarwal
@Aashna_a:
Ryan Manuel: we should be careful about blowing up the Chinese threat. Very often our view of China reflects more about us than about them. #GOIGD2018

This session was tasked with a two-part mandate: first, to understand the changes and transformations taking place within China; and second, to discuss how to engage with it, especially as the country rapidly expands its global footprint and consolidates instruments of national power in ways that are often not transparent. The panelists said that although there is continuity in national policy and diplomatic posture, it is clear that this China is a new China, and that Xi Jinping/'Xi Jinping-ism' are new phenomena in international relations. China has reached an inflection point; even five-year-old methods of analysing and engaging with it are obsolete.

Key points

President Xi Jinping has assumed God-like status. The panel concurred that his goal is to be remembered as the man who, more than Mao, restored China's prestige in the world. He did this by changing the face of the Communist Party into an all-powerful, integrated body. He has worked within the system to do away with the ten-year presidential term limit. So now he wears three all-powerful hats: President of the People's Republic of China, CCP General Secretary and Chairman of the Central Military Commission. However, these changes make him vulnerable to scrutiny and more accountable, since nobody else can be blamed should national goals derail.

The pace of institutional reform, and cultural and economic trends in Xi's first term has been dizzying. In China, 'reform' doesn't mean liberalisation and deregulation as it does in other parts of the world. Rather than changing the current system, it means making the existing system more efficient.

Institutionally, ministries and supervisory/regulatory commissions have been reorganised; the aggressive anti-corruption campaign is now under the purview of the newly constituted National Supervisory Commission. Xi Jinping Thought is inscribed in the Party Constitution. The supremacy of the Party has been affirmed, and the lines between the Party and the State are blurring.

Sameer Patil
@SameerPatilIND:
#GOIGD2018 @GatewayHouseIND @ ClaudeSmadja: #China has achieved a critical mass in economic power, and is now moving into the second phase of asserting its economic power, moving towards consumer driven, services based economy

Culturally, there is a visible push to promote China at home under the goal of 'national rejuvenation', and internationally, through the establishment of hundreds of Confucius Institutes.

Economically, the country is shifting from traditional manufacturing to the digital space. Like the rest of the world, China is shaping the contours of "Industry 4.0" by investing in Artificial Intelligence, Robotics, Big Data and quantum computing. At the same time, strategies like Make in China 2025, which identifies ten key next-generation sectors, and the Belt and Road Initiative, which extends Chinese economic, and potentially geopolitical, influence beyond the Middle Kingdom, are designed to ensure Chinese dominance in the years to come.

China wants a new global order in its own image. For 35 years, outsiders assumed that China would converge with the rest of the world as it developed. This is wishful thinking. As one of the biggest powers in the history of the world, it cannot fit into a world order that was designed when it was a negligible part of the global landscape. Defying skepticism, it has succeeded in building its own unique system: a socialist market economy that is the world's number one economy (PPP) and accounts for 19% of global GDP. It has asserted itself in the South China Sea and other areas it regards as its sphere of influence.

China now sees itself as the equal of the United States. This was the reasoning behind Xi's proposal to Obama in 2013, for a "new type of great power relations". Today, a major challenge is to find ways for China and the West to coexist.

Globally, countries are concerned about the Belt and Road Initiative. Asia needs $1.5 trillion in infrastructure investment a year. The BRI can help provide that, but it is failing to live up to its responsibility by saddling the recipient countries with unsustainable debt. For the projects under the BRI to be beneficial to the regional and international community, they should be open to other public and private investors.

The G20 says infrastructure projects, supported by public funds, should be high-quality and cost-effective, but it's questionable whether the BRI meets that standard. These Chinese projects lack transparency; contrary to public financing norms of international organisations like the Organisation of Economic Cooperation and Development, World Bank, Asian Development Bank and even the China-promoted Asian Infrastructure Investment Bank. Chinese banks treat their lending activities as state secrets. The G20 can be a good forum to discuss these sensitive issues, and India can play a key role in its capacity as the largest developing economy.

K.N. Vaidyanathan
@KNVaidy:
#GOIGD2018 Home runs by @ClaudeSmadja * Recounts Xi comment to Obama to deal as equals * Hu Jintao wasted decade on power by consensus * Xi wants unfettered protocol right to make China a super power * Xi action no different from Monroe Doctrine

Businesses can improve ties with China, but it will require effort. China is not a giant monolith, and Xi is not an Emperor. It compartmentalises its relationships. Where its interests align with those of other countries, politics rarely hinders business growth, as demonstrated by the large volume of Japan-China trade. But building ties requires cultural sensitivity. Businesses must be able to understand subtle cultural signs and non-verbal cues in order to collaborate with the Chinese.

There are multiple layers of power within China, and there are systems and procedures for dealing with them. A good entry point can be to interact with leaders at the provincial level, where leaders have business score cards, are assessed on performance, and compete with each other.

Geoeconomic Dialogue IV
G20: more than a talk shop

Session Notes

Introduction and objectives

The G20 was convened in 1998 as a mechanism to strengthen global economic governance. In 2008, it was elevated to an annual summit of the heads of states of the 20 countries. Argentina's G20 website defines it as the global forum for economic, financial and political cooperation. While advocates of the G20 have called it the economic steering committee of the world, critics call it a "talk-shop"and decry the unchecked expansion of its scope. Is the G20 facing a mid-life crisis? Is it still relevant today? Should it reconfigure its agenda and return to its original mandate?

The panelists for this session were: Ambassador Pedro Villagra Delgado, Argentina's G20 Sherpa, former Deputy Foreign Minister, Argentina; Heribert Dieter, Senior Research Associate, German Institute for International and Security Affairs (SWP), Berlin, Germany; Claude Smadja, President, Smadja & Smadja Strategic Advisory, Geneva, Switzerland; Guven Sak, Managing Director, Economic Policy Research Foundation of Turkey (TEPAV), Ankara, Turkey; Danny Alexander, Vice President, Asian Infrastructure Investment Bank, Shanghai, China; and Amar Bhattacharya, Senior Fellow, Global Economy and Development, Brookings Institution, Washington D.C., U.S.A. It was moderated by Akshay Mathur, Director, Research and Analysis, and Fellow, Geoeconomic Studies, Gateway House.

While some panelists felt that the G20 is still relevant today, others argued that it has become ineffective. They questioned its continuously expanding mandate and debated whether it should return to its original one. They stressed the importance of coordinated efforts and the need for progress on its finance and sherpa tracks. They discussed Argentina's priorities for its 2018 presidency: the future of work, food security and infrastructure for development.

Gateway House
@GatewayHouseIND:
"Can the G20 assume the role of a think tank linking the developed economies and emerging markets? As Argentine Sherpa (Amb.) Delgado outlines @g20org @T20Solutions agenda, he says rest of the countries can either be spectators or be there themselves. #GOIGD2018"

Key points

Supporters of the G20 call it a tremendous force for democratic transformation in global governance. The G20 has brought together multilateral development banks, standard-setting bodies and national governments of the member countries to address globalisation at a time it is facing backlash. Using the 2030 Agenda for Sustainable Development as a reference, it has expanded its original agenda that focused on international finance and economics to include social and developmental issues that matter to the masses of people in developed countries and emerging market economies. Argentina, for instance, has added food

security to the agenda for its 2018 presidency besides the provision of abundant and nutritious food and the integration of small and medium farmers in the global value chain. The G20 also considers education, skills and digitalisation key issues affecting the future of work, and it emphasises the role of infrastructure in facilitating development. These political and social concerns have a connection to global governance and financial stability, but go far beyond them too.

Critics question the primacy and effectiveness of the G20. Some argue that the leaders participate in numerous meetings and discussions that do not yield concrete outcomes. This criticism stems from the failure of the G20 to bring about sustained stability of the financial sector after the 2008 crisis. Despite the introduction of certain financial regulations, critics say, international debt has continued to grow, moving from roughly 280% of world GDP in 2007 to 320% in the third quarter of 2017. The financial sector has had to be recapitalised. Many worry that the G20 is unprepared for the possibility of another financial crisis. Critics also accuse the G20 of rehashing issues that were taken up at other forums instead of discussing those that are new and exclusive to the G20. For example, G20 leaders renewed their commitment to the Paris Climate Agreement at the Hamburg summit in 2017 despite having agenda items that were left uncovered.

Blaise Fernandes @BlaiseFernandes: #GOIGD2018 Amar Bhattacharya @BrookingsInst no doubt there are many many meetings at #g20 its like a Mozart masterpiece with many musical notes @g20org @GatewayHouseIND

The inability of the G20 to produce results could be due to reasons beyond its control. While the G20 sets the agenda for global economic governance, most of the work is undertaken by standard- setting bodies and multilateral institutions.The structured and rule-based nature of these institutions makes it difficult for them to make decisions. This suggests that their role should be redefined. In contrast, the G20's informal nature may enable it to be successful in reaching consensus on issues critical to developed countries and emerging market economies.

Lack of political will and commitment from the leaders of G20 countries may explain its slow progress on issues across the finance and sherpa tracks of the G20. While G20 sub-forums like Business 20 and Think Tank 20 are effectively engaged in the G20 process, other sub-forums that represent important sections of society – such as the Women 20, Labour 20, Civil 20 and Youth 20 – must increase their participation, use their convening power and provide concrete inputs to the G20 leaders on issues that are critical to them.

The G20 must emphasise the development of infrastructure as an asset class. Infrastructure development has been a priority for the G20 under successive presidencies. Under Argentina's 2018 leadership and beyond, the G20 must focus on mobilising private capital to create new infrastructure. This requires improving standards used to develop and evaluate projects, creating financial instruments, and filling data gaps. The G20 should work closely with multilateral development banks, international bodies like the OECD, and national governments of G20 member countries to achieve these goals.

Technology Dialogue
Technology up-ends existing legislative frameworks

Session Notes

Introduction and objectives

As technology rapidly generates new services and business models, it is disrupting many industries. Next-generation technologies like electric vehicles, alternative energy, 3D manufacturing, personalised medicine and quantum computing, are changing the industrial order. But there is a massive gap between the speed at which these disruptive innovations are emerging and growing and the capacity of governments to implement timely regulations. What would support smooth emergence and regulation of technologies -- globally-determined, top-down approaches or domestically-determined bottom-up ones? What should be done to reduce the monopoly of large corporations over Big Data and other cutting-edge technologies?

The panelists were: Marina Kaljurand, Chair, Global Commission on Stability of Cyberspace, Brussels; T.V. Mohandas Pai, Founder Member, Gateway House and Chairman, Manipal Global Education; Deborah Housen-Couriel, Fellow, Interdisciplinary Cyber Research Center, Tel Aviv University, Israel; and Julian Leuthold, Founder & CEO, GetGlobal, U.S.A. The session was moderated by Susan Ritchie, Vice President, Technology, Media & Telecommunications, U.S.-India Strategic Partnership Forum, Washington DC

The speakers focused on the effect of nascent international and national policies on complex, disruptive technologies, mechanisms to regulate them, and the challenges framers of such regulations face; the impact of disruptive technologies on socio-political, ecological, and geoeconomic order; and the need for policy experts and funders to find light-touch regulations. There was consensus that governments should work with all stakeholders in implementing regulations nationally and internationally.

Nimrod Assouline @NimrodAssouline: "#GOIGD2018 #Mumbai #Israeli #CyberSecurity law expert @debahc shares her views on the new challenges laying in new disruptive technologies applied, how to bring remedy to some of the problems to ensure business stability; and @Israel use case for the same @israelinMumbai

Key points

Big Data's regulatory challenges abound. There are conflicting interpretations about whether Big Data is a service, product, property or a negotiable good. The symbiosis of Big Data with innovation fuels debate on whether it is a tool or a weapon. Fifth-generation (5G) communications networks, although faster and cheaper, raise regulatory problems concerning the data they transmit,

Tony Huber
@AusCG_Mumbai:
Great to see panellists acknowledging gender balance/imbalance in their respective sessions. Well done to @GatewayHouseIND for consciously & actively pursuing balance #GOIGD2018

including content governance. This also is true for cloud computing, which raises questions on who has jurisdiction over sensitive and confidential stored data. The number of objects connected by the Internet of Things (IoT) will increase to more than 30 million by 2030, making prevention of cyber breaches a mounting challenge.

Global regulatory frameworks for digital monopolies are urgent and possible. Prominent multi-billion-dollar technology companies are evolving into monopolistic behemoths. They are shielding themselves behind regulations that favour them as they try both to obstruct innovation that could unsettle their products and to misuse Big Data to their advantage. A global framework for regulating technology companies and their innovations is urgently needed before the companies become too large or rigid to reform. This can come about through continuous tracking of research and development (R&D) from a policy perspective; the resulting analyses will then lead to framing of regulations. Every country is at a different stage of technology assimilation – a situation researchers, funders, and policy makers must consider democratically as they formulate technology regulations.

Blaise Fernandes
@BlaiseFernandes:
@MarinaKaljurand #cyberhygine part of our curriculum @EEinEU #GOIGD2018 @GatewayHouseIND #digitalcivics a must in in India @PrakashJavdekar @DIPPGOI @CIPAM_India

Global solutions have to be devised for a cyberspace that knows no borders. Internet and information communication systems have become the backbone of the world economy. Because cyber systems transcend borders, cyber security can only be ensured through international cooperation. While major countries have found it difficult to reach consensus on how cyberspace should be regulated, an explicit international law is needed. Multilateral fora also need to recognise the importance of multiple stakeholders, and graduate from merely issuing policy statements to real-time cooperation.

Pascal Kerneis
@EUServicesForum:
@TVMohandasPai provides an impressive list of major disruptions in the very near future: medicines, education 2.0, autonome cars, crowd computing capacity, etc.: Be aware! Can regulators follow? Do they have to? #GOIGD2018

Strategic Dialogue
The business of the Blue Economy

Session Notes

Introduction and objectives

The term 'Blue Economy' defines the reserves of the oceans and rivers as a leverageable economic resource within the accepted framework of sustainable development and the necessity for desired regional and international cooperation. For business, the word implies opportunity. But it also represents geopolitical challenges. The economic imperative to maintain open seas is coming into direct conflict with the economic, strategic and security concerns of nations. How are businesses and policy-makers responding? It is clear that while developed countries have advanced their blue economies, developing countries need support from multilateral institutions and science-based national planning to exploit their ocean resources effectively.

The speakers were: Cyrus Rustomjee, Senior Fellow, Global Economy Program, Centre for International Governance Innovation, Waterloo, Canada; E.N. Venkat, partner, Aavishkar Frontier Fund, Mumbai; Reggie Ramos, Fellow, Asia Global Institute, Hong Kong, and former Under Secretary, Infrastructure and Transport, Philippines. The discussion was moderated by former Ambassador Rajiv Bhatia, Distinguished Fellow, Foreign Policy Studies, Gateway House.

The panelists noted that the Blue Economy could relieve over-emphasis on land-based development and provide solutions to fragile food and energy security, aggravated by over population. They also debated technology's game-changing impact when transitioning to the Blue Economy, how businesses will have to adapt, and the need for India to have a Blue Economy National Plan.

Ambassador Rajiv Bhatia @Bhatia_RK:
Audience surprised us by being there, even after a long day! A lot of young scholars too were there. My last line was: "If we in India do not do enough to harness the Blue Economy potential, our grand children will never forgive us!" The arrow hit home!

Key Points

The Blue Economy represents substantial economic opportunities. There are employment opportunities in fishing, food processing and exports, as well as deep-sea mining, ports, ship-building and marine tourism. Developing economies can use the Blue Economy to address food security: fish consumption, for instance, can solve the problem of protein inflation--or the escalating cost of protein-based foods in populous developing economies. The oceans also are a game-changer in the search for energy security. Off-shore wind turbines in Europe can generate 8 mega watts compared to Indian wind turbines that have a capacity of just 2 megawatts. Smart technologies, such as self-navigating ships and automated fish feeding machines that operate in deep-sea captive breeding cages, required by the EU and U.S. in fish retailing, also help scale up revenue generation. The humbler traceability tags state the region or aquaculture farm the fish was harvested and whether it was done in a sustainable and eco-friendly manner. Marine surveillance technology is used to monitor fishing vessels and deep-sea fish breeding cages that may be hundreds of kilometres away from the shore.

Manjeet Kripalani
@ManjeetKrip:
Final session of #GoIGD2018 on the Business of the Blue Economy. The govt programmes can't be successful without the private sector: Cyrus Rustomjee, CIGI

Regulation can increase the sustainability of ocean resources without hurting business profits. For example, the Indonesian government, in 2015, took a stand against illegal, unregulated and unreported (IUU) fishing. It required all commercial vessels to report their catch at the point of landing. Many foreign investors responded by giving up net fishing, preferring the more ecologically sustainable 'line catches'. The end result may amount to higher prices, but rising global demand for fresh wild catch absorbs such increases. Countries need to develop national plans to develop their blue economies. Countries of Northern and Western Europe are the most advanced in the Blue Economy. Norway has a national plan that prioritises mariculture (breeding marine organisms in the open seas). The EU, meanwhile, has well-developed linkages between academia, government and the private sector to devise projects for the Blue Economy: it is re-skilling unemployed people for the purpose.

However, the experience of the Global Environment Facility (GEF), the World Bank and Food and Agriculture Organisation suggests that many jurisdictions haven't acted so effectively. These institutions jointly funded the $3.5 billion African Fund for the Blue Economy, but large sums remain unutilised because most countries in Africa do not have integrated development plans as required by multilateral institutions.

The emphasis on planning is not just a bureaucratic requirement. It is a key to getting results. The Philippines, for instance, has many advantages in the race to develop its blue economy, including a vast Exclusive Economic Zone (EEZ), endowed with abundant marine biodiversity, a seabed with huge reserves of gas and rare metals and an ample workforce (60% of its population is already employed in its blue economy). Yet its blue economy languishes because it has no integrated maritime policy.

India needs its own Blue Economy plan

To benefit from the knowledge that countries like Norway have and qualify for funding from multilateral institutions, India must develop a National Blue Economy Plan. Though the country has a solid base of experts, institutions and two comprehensive viability studies – the 2015 FICCI study was the most recent – it has not shown the political will to take it forward.

Etienne Lambert
@EtienneLambertx:
Great day of discussions about India's global Economic Engagement with participant from around the world. Especially glad to see Canada's @CIGIonline so well represented! #GOIGD2018 #geoeconomic @GatewayHouseIND

Success stories in Africa – Seychelles, Mauritius, and South Africa – suggest three ingredients to successful planning: Planning must begin at the highest government level; diagnostic studies of the existing structure of their blue economies are needed; and strategic plans should be based on scientific studies, including marine spatial planning, to identify Blue Economy sectors most suited to them.

India is a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC, a sub-regional forum), Association of South East Asian Nations (ASEAN) plus two, which is a regional one, the larger Indian Ocean Rim Association (IORA), G20 and the grouping of Commonwealth Nations, which can provide opportunities for cooperation with countries having developed and nascent blue economies. This is crucial for innovative financing (public-private partnerships and crowd-funding), strategic regional planning, port development and infrastructure, human resource development and reskilling of coastal communities, and setting normative frameworks.


AGENDA