BUSINESS & SECURITY: SEEDING PROSPERITY ANEW

28 May 2015 | 12:15 p.m. – 1:30 p.m. | Gateway Building, Colaba, Mumbai

PARTICIPANTS:

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INTRODUCTION:

Michael Siebert, German Consul General: Germany's background: middle position in Europe, difficult history. German population is not very supportive to military operations abroad. The Minister argued last year about Germany assuming a bigger role on the global stage. She emphasized that Germany needed more political will but also capabilities, civilian as well as military. She coined the formula of "leading from the centre": Germany will lead not alone but with its allies from EU and NATO and friends over the world.

Dr. Ursula von der Leyen: The Gateway of India is a symbolic place: it is an open door to the world. I will make a few remarks about business and security: neither business nor security policy can exist without one another. I will look also at the crises we are facing. We are discovering how much interdependent we are to each other.

At the beginning we should have a look at the place we are: Mumbai. 40% of Indian tax revenue is raised here. Mumbai is on the Indian Ocean, around which 40% of the world population lives. 90% of India's energy import and export is sea-bound and has to go through this ocean. India is now projecting power in this area and this is reassuring for the security of this region, as it is a reasonable power.

It is my first time in India, but somehow, I already feel familiar with India. Why? Germany and India are democracies; there is an unpronounced consent about human rights, and the values we defend. India and Germany and Europe are places where we rely on open societies: societies who are willing to have exchange with other societies, societies depending on free trade, free press, and free speech. That's the kind of values that are under siege by the three major threats we are facing.

- Piracy: The Indian navy makes a great contribution to the fight against piracy. But we need to find the roots and causes of piracy, which lie in the economic situation of the countries of origin of piracy, in the lack of jobs and perspectives, and the despair that it causes. This is why we need trade and business. The migration problems share the same causes. There the navy is indispensable, as it helps saving lives of the migrants, but we have to fight the traffickers, the smugglers, and the problems leading to migration.
- International terrorism: mostly ISIS and Al-Qaida. For this, not only poverty plays a role, but also ideology. It is the extreme vision of people who do not want an open society, like ours. In Europe we have 6 to 7000 Europeans leaving to fight for ISIS.
- Relations between states: We are experiencing projections of power, violation of international law, of borders, of the integrity and sovereignty of other states. We are seeing this right now in Europe in Ukraine. Here a solution has to be found in international law, basically in the security architecture which has been built after World War II. It is extremely important to stick to this architecture.

DISCUSSION:

Manjeet Kripalani: This year is the 70th anniversary of WW2. What are the chances for peace and well-being in Europe now?

Dr. Ursula von der Leyen: If I look at the positive side, it is good to appreciate that Europe is an entity, a unity willing to defend those values I was talking about. If you look at the Russia-Ukraine crisis, the Kremlin did not expect a united reaction of Europe towards the hybrid warfare in Eastern Ukraine. Our reaction was a peaceful one, as we engaged in economic sanctions. We believe in the power of negotiations and in the pressure of the economic impact of these sanctions.

The second thing which happened was a revival of NATO. It came with the bitter realisation that, whether you like or not, you still need deterrence, today. It has to be defensive, and appropriate.

Manjeet Kripalani: The United States wanted to arm Ukraine, why did Germany refuse? Are you going to be able to resist to the American pressure? The German defence industry shows its revenues dwindling. How do you manage the conflict?

Dr. Ursula von der Leyen: This is the perfect example to show that military means alone cannot be a solution. In the Ukraine, what is the goal? The suffering of the people in Eastern Ukraine should end. If we deliver arms, Russia will flood the region with arms, so the suffering of the people would increase. It would create an escalation. The second reason is that, unlike with ISIS, we have a dialogue with the Kremlin. We should use that channel to move forward. ISIS does not speak to anyone, they kill whoever is considered to be their enemy. We are convinced that delivering arms would not bring forward a solution. So we need to analyse very carefully what the situation is.

Lt. General K. Surendranath: In 1994, an agreement guaranteeing the integrity of Ukraine was signed. Is there a violation of this treaty today?

Dr. Ursula von der Leyen: You are right to bring that treaty on the table, because Ukraine gave up its nuclear weapons because they were promised that the treaty partners – among them Russia – will protect its integrity. We will never forget the violation of the treaty by the annexation of Crimea. This is one of the main problems we have with Russia about not respecting international law. And if we try to go by military means, to find out on Ukrainian ground who is the strongest, it will render the situation worse.

We need to shape a solution together. Our experience with WW2 is that we need to respect the views of everyone, it will take longer, but a solution can be reached, whatever time it may take. The meeting with Merkel, Hollande and Putin and the OSCE and the separatists and the Ukrainian government, the Minsk Process, is a hard, slow way, but we think it is a step in the right direction.

Manjeet Kripalani: The German defence industry is facing problems, its exports are down, there is a drop in German exports to Arab countries. Your defence spending is still lower than what NATO recommended last year. Given this background, where are your companies looking in order to export, where does Make in India fit in?

Dr. Ursula von der Leyen: First of all, the German defence industry is independent, not state-owned. We treat it like any other industry: we expect quality, timely production. They have plants worldwide. Second point: yes, the German army is a large client for the German industry, but the German government do not subsidise it. Third point, about the percentage of our defence spending on our GDP. Our main problem is the rise of the GDP. If the GDP grows, the relative size of my budget shrinks. But it would be worse for the economy - as well as the defence budget - the other way round.

How does it fit in Make in India? We can offer joint ventures to produce here in India. This fits very well in the picture Germany and India have of each other because of this exchange of skilled labour we have: India is very open to export skilled labour, and we are very happy about it. We also want to have a share of the production in our country. Having said that, our industry is independent. I would welcome if they go into negotiations with Indian industries.

Manjeet Kripalani: We have on our panel two people who are actually critical of the 'Make in India' campaign and joint ventures. Germany has an established system of good small and medium scale sector and good skilled labour; India has neither of this. Are Indian industries capable to absorb what Germany has to offer?

Dr. Santrupt Misra: The Indian workforce can work very fast. But can we reform our education system fast enough to benefit from the emerging opportunity? Some time back, I read that the German Embassy in the US had created a skill-building initiative[1] in the US. Why not import the vocational training in India? How can we adapt this model to India? I think in manufacturing, joint ventures would be the most ideal ways to combine the 'Make in India' and the defence interests of Germany. But education is very important. The problem in India is quality and time delays. Quality is not possible without infrastructures. We have a lot to learn about that. I believe that the old institutions and frameworks need to be changed. We need to create a multi-layered relation between our countries that do not just rely on manufacturing.

Manjeet Kripalani: Lieutenant General, your remarks?

Lt. General K. Surendranath: Many years back I was in a defence corporation in the Army. One problem I had was that the German political system does not interfere with the defence industry. When we wanted to ask a question and find an answer, we could not find a meeting ground, because you leave them alone, you treat them like any industry. It was hard for us to negotiate. In India, the departments work under political supervision. Suggestion: You must link the defence industry and the political power. There must be a political solution to defence production. The present policy of the Indian government does not provide ground for that, as it does not allow to use Indian soil to export arms. SMEs in India do not have the capacity nor the skills.

Dr. Ursula von der Leyen: You were talking about how to improve the Indian educational system. I just can tell you that the Ambassador in Delhi told me that there is a huge demand here to create a cooperation to teach Indians how to adapt our education system to Indian needs. Dual vocational training is a strength of Germany: it is a combination of 50% theoretical training in public schools, and 50% of practical training in enterprises where

[1] The AmSkills initiative : http://www.amskills.org/about/

they work on projects. There are several benefits to this. First, you get a demand-driven education: the SMEs decide what to offer as a vocational training, you educate towards the future, the skills SMEs think will be needed in the future. Second, young people get paid. Third, the whole industry does benefit from it. How to start that in India? It needs a network of enterprises. There are structures in Germany that are willing to export this knowledge.

We are convinced that state-depending industries are inefficient as they lack competition and pressure from the market. Only a free market and huge competition guarantee quality industries. The moment they are too close to the government, they do not have the incentive to become more competitive and to make the best products.

Manjeet Kripalani: Given the background in Europe, how hard is it for Europe to fashion a common European military doctrine? Or is it time for Germany to fashion its own security doctrine?

Dr. Ursula von der Leyen: I'm absolutely convinced that moving towards a more integrated Europe is the path to go. It will benefit us all; we've seen it with the Common Market, with the EU enlargements. By being integrated on the European level we benefit nationally. There are historical reasons why defence sector is not integrated compared to others. Here is a huge potential. We have to move towards a European Defence Union, because within NATO, the USA expect Europe to be a relevant, visible, capable pillar. It would be something complementary to NATO, it would make the Europeans stronger, more coherent and more coordinated.

QUESTIONS:

Question: What have you discussed with the Prime Minister?

Dr. Ursula von der Leyen: We were talking a lot about professional education, the exchange of vocational training experience, about collaboration in sectors like renewable energies. In the defence sector, we've been talking about 'Make in India' considering the submarines that are necessary for India. The main topic was the question of cyberterrorism. India is very strong in IT, the affinity and ability of the Indian people towards IT is phenomenal. Cyber will dominate the future conflict scenarios. The higher developed countries are, the more vulnerable they are to cyberattacks. Every business is prone to cyberattacks. Huge links between state and business cybersecurity. If there is an attack, to hurt the country, you will target energy, healthcare, finance, transportation, logistics: that's where you want to hurt a country. We need to create resilience of our networks.

Question (Raghu Raman, who helped create India's national intelligence grid): I wish our industry had a little more of freedom.

There is a great opportunity in the offset space. One of the key components of the India defence industry is that any foreign bidder has around 40 to 50% offsets obligations that has to be sourced from India. Lots of companies have been working in the manufacturing sector, forming joint ventures to bring in techniques in India. But when there is $40 bn coming on offsets, they have to be consumed by the Indian industry, and it cannot absorb it. Our main challenge is to have high end engineers, electronic experts, chemical engineers, avionic experts… I believe it is an opportunity for countries such as Germany, which do not have a broad portfolio of armaments to offer, if there is possibly to do a collaboration in the human resources development sector: we need to train engineers to be trained in 8 months. It is about setting up an infrastructure in that space here, create affiliations with universities.

Dr. Ursula von der Leyen: Indians are the sixth-largest community of foreign students to Germany. We have experts here teaching on training. It is a process of strengthening our collaboration.

Question (Expert on piracy): You identified the root causes of piracy as lack of perspective, illiteracy, poverty. But we need to look at the other end of the spectrum whenever a ship is captured, the message goes to people in Europe, who then go contact ship-owners to start the negotiations. It is beyond doubt that the millions of dollars that have been paid in ransom do not only remain in Somalia; not only Somalians do the negotiations. Where does the money go? Is there another way to tackle piracy? There is a new industry that has been built on piracy: guards, insurances… Can we work together on that?

Dr. Ursula von der Leyen: When the piracy crisis started, we had to learn how to guard ships. How to manage private security companies on-board of ships. You've made an interesting suggestion to look at where the money goes. Of course it is better to avoid hijacking, but yes, money has been paid. If you look at what we've done against ISIS, one of the solutions to fight them was to cut the money flowing to ISIS from neighbouring countries. So after having paid the ransom, we should know where the money goes. This is the same for migration, you have to look at the networks of smugglers if you want to be efficient in the long term.