



GATEWAY OF INDIA DIALOGUE

WHERE GEOPOLITICS MEETS BUSINESS

June 13-14, 2016

CONFERENCE REPORT NO. 1, 2016

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Ministry of External Affairs
Government of India

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3rd floor, Cecil Court, M.K.Bhushan Marg,
Next to Regal Cinema, Colaba, Mumbai 400 039
T: +91 22 22023371 E: info@gatewayhouse.in W: www.gatewayhouse.in*

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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Editorial team: Aditya Phatak, Sharmila Joshi
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Foreword

On 13-14 June 2016, the first Gateway of India Dialogue was held in Mumbai, India. The conference's theme, 'Where Geopolitics Meets Business', was appropriate for an event that brought the insights of India's energised foreign policy to a city that serves as the country's financial and business centre.

The Dialogue was jointly hosted by the Ministry of External Affairs, Government of India, and Gateway House: Indian Council on Global Relations, a foreign policy think tank in Mumbai, which focuses on geoeconomics.

This was the first foreign policy and business conference held in Mumbai, and it brought together more than 220 delegates from 20 countries. Eminent experts and high-profile participants attended, as did numerous experts on economics and politics as well as dignitaries who spoke on India's foreign policy, how it is being impacted by global economic and technological developments. The delegates included senior scholars from geoeconomic think tanks around the world, as well as representatives of Mumbai's business community and officers of the city's civil and military services.

The Gateway of India Dialogue coincided with a meeting of the Think Tank 20 group, which is the ideas bank for the G20. A roundtable discussion for the T20 on 'Global Economic Governance' was held under the official banner of the 2016 Chinese presidency of the G20. Gateway House and the Ministry of External Affairs were the co-hosts of the event. Experts from 21 well-regarded international economics-focused think tanks, and 16 Indian think tanks attended the day-long event. It was a high-quality discourse, generating robust and wide-ranging discussions.

The Gateway of India Dialogue too was marked by rich discussions and substantive analyses of contemporary and emerging commercial and financial trends. This included mega-trade agreements, and the movement of global capital and labour- issues that are critical to India's role as an emerging economy.

Mumbai's business community has communicated extremely positive post-conference reactions about the content and execution of the Dialogue. This is especially heartening because the city for long was presumed to have little interest in foreign policy issues. The overall energetic response to the Dialogue indicates that Indian corporations and citizens are increasingly recognising the critical convergence of geopolitics and business.

Examining this convergence was the founding principle on which Gateway House was established. It is a principle that we will continue to follow.

Blaise Fernandes, Chief Executive Officer

Neelam Deo, Director

Manjeet Kripalani, Executive Director

**Gateway House: Indian Council on Global Relations
Mumbai**

Welcome Remarks

Blaise Fernandes

Ladies and gentlemen, welcome to the opening session of the inaugural Gateway of India Dialogue. A very warm welcome and thank you to the honourable Sri Lankan Deputy Foreign Minister, Dr. Harsha de Silva, for agreeing to participate in the Gateway of India Dialogue this evening. We welcome Foreign Secretary Dr. S. Jaishankar, our keynote speaker this evening, who will enumerate his ideas on aligning business and strategic goals. We also welcome, Mr. Adi Godrej, Chairman of the Godrej Group, who will give us the industry's views of our foreign policy. On behalf of Gateway House, I welcome ambassadors, consul generals, members of the diplomatic corps, our panellists, moderators, and members of the media, and delegates to this conference of ours.



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#GOID2016 @blaisefernandes thanks @MEAIndia for co-hosting India's first ever major foreign policy conference in Mumbai.

Earlier today, we held the T20 conference, which has nothing to do with cricket. T20, or Think Tank 20, is a sub forum of the G20-an ideas bank for the G20-where policy experts provide research-based solutions to the G20 leaders. This is the second consecutive year that Gateway House has played sherpa to the T20 consultations, and we look forward to working with our German counterparts next year, when Germany takes over the presidency in 2017.

Foreign Secretary, sir, should 2018 or 2019 be the year of the Indian Presidency at the G20, Gateway House is well-positioned to perform its role as a think tank sherpa, and the city of Bombay, or Mumbai, is fully geared to play the host city.

Gateway House thanks the Ministry of External Affairs, which is co-hosting this first Gateway of India Dialogue in Mumbai, a city with very strong international linkages. Mumbai has a very special place for us at Gateway House. Gateway House, led by our Adjunct Fellow for Bombay History Studies, Ms. Sifra Lentin, has chronicled the city's rich international linkages, dating from 1665 to 1960. We request you Foreign Secretary, sir, please release her book, entitled Bombay's International Linkages: Then and Now, later this evening.



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#GOID2016 a recognition by the govt of Mumbai's significance in bridging business and India's foreign policy goals.

We will be accepting questions for the foreign secretary; post his speech, the questions will be answered. There are pads on your table with pencils. Please write down your questions, identify yourself. We have two moderators' envoys Elvira and Kunal. They'll take your questions and the foreign secretary will answer these questions. Try and stick to trade and business. I now invite Mr. Adi Godrej, one of Gateway House's foremost members and supporters, to give his opening remarks. Thank you.

Blaise Fernandes is the chief executive officer of Gateway House.



Introduction

Adi Godrej

Thank you Blaise. Minister De Silva, Mr. Jaishankar, ladies, and gentlemen. This conference is part of a well thought-out strategy by the government of India: to pursue a new style of economic diplomacy-one where India talks business, and where India's businessmen become part of the country's global strategic effort.

This is the first time that Mumbai, the commercial capital of the country, is hosting a conference of this nature with the Ministry of External Affairs, which I think is a welcome development. It is a recognition by the government of the role that Mumbai and its business plays in this endeavour. The role of institutions like Gateway House, which is the only foreign policy research institute in Mumbai, doing a tremendous job, and the announcement of this goal, is, to my mind, very important. The Godrej Group supports such institution-building in Mumbai, so that the city may regain its premier role in India.

The Indian economy is already the fastest growing major economy in the world. Our macroeconomic fundamentals are on a sound footing. With the development of the La Nina effect in the Pacific Ocean, and the probability of three to four good monsoons in a row as a result, and the likelihood of the Goods and Services Tax constitutional amendment being passed in the monsoon session, we could be headed for a much higher growth rate, perhaps even double digit growth.



@sameerpatilIND

#GOID2016 Adi Godrej outlines the role of @GatewayHouseIND as the only foreign policy #research institute in #Mumbai #India

In order to complement such growth, Indian business will need to move strongly overseas. The Godrej Group has benefitted tremendously by establishing ourselves strongly overseas in about 25 countries, mainly in the developing world. Similarly, India will need to attract foreign direct investment across the board to support capital needs, as well as the technology and expertise needed.

I feel this sort of a dialogue will play a tremendous role in getting business and government working together to see that the country's progress is accelerated even further.

Thank you very much.

Adi Godrej is Chairman of the Godrej Group.



Opening Address

Sri Lanka's Deputy Minister of Foreign Affairs Harsha de Silva delivered the opening address at the first Gateway of India Dialogue in Mumbai in June 2016. In his speech he underlined the need for building a bilateral of "irreversible excellence" between India and Sri Lanka based on shared geography, history, and culture

Harsha de Silva

Mr. Subrahmanyam Jaishankar, Foreign Secretary, Mr. Adi Godrej, Chairman, Godrej Group, Mr. Blaise Fernandes, CEO of Gateway House, Excellencies, distinguished guests, academics, ladies and gentlemen, Good evening!

Let me first thank Gateway House and the Ministry of External Affairs for including Sri Lanka as a stakeholder of this first major geo-economics policy dialogue here in dynamic and progressive Mumbai.

I hope this seed will bear fruit as both India and Sri Lanka move towards our foreign policy objectives by leveraging the hugely positive changes taking place in our region.

President Pranab Mukherjee, then Finance Minister, delivering the Lakshman Kadirgamar lecture in Colombo in late 2009 said that "the future of peace, security and development of our region has to be fortified by common economic prosperity. The challenge today is to build interdependencies which not only integrate our region but also create a strong interest in each other's stability and prosperity."

True then, now, and into the future.

In fact it was Kadirgamar who forwarded the thesis that India and Sri Lanka should work together to build on our shared geography, history, and culture in a relationship he defined that it should be in a state of "irreversible excellence."

I believe what he meant was that this relationship must benefit each other in their bilateral transactions and together must benefit both in transactions with others.

So, the mere fact that I am here is a big step in shaping the new paradigm of integrated economic diplomacy between us and beyond.

From what I hear our Consul General is doing a great job on that front on a day-to-day basis.

Ladies and gentlemen, let us survey the context of today's engagement: geopolitics meets business.

While the GPS of our nations have remained static over millennia, on almost every other measure the world's centre of gravity is shifting towards the East: by 2030 Asia is projected to become world's largest economic region and in 2013, for the first time in modern history, Asia's defence spending is estimated to have exceeded Europe's.

In this backdrop, Sri Lanka, as a small, but increasingly more strategically important island in this emerging large and powerful Asian neighbourhood, must determine the optimal navigational strategy in order to meet its macro objectives.

Ensuring the security of all Sri Lankans and advancing their development will always be at the core of our government's duties in the foreign policy realm.

Over the last few years, however, Sri Lanka's foreign relations were not aligned to our country's needs. While the interests of the few were served, the needs of the many were ignored. Our relations faced many challenges.

As we now reset our foreign policy, we are gearing our strategy and policies towards strengthening our relationship with India, harnessing the opportunities the Asian Century has to offer, while navigating and minimising the risks that will inevitably accompany its rise.

In this context it is most important to understand relations between Sri Lanka and India in our engagement with the region-from our vantage point.

Both ancient history and contemporary experience suggest that Sri Lanka's success depends on maintaining friendly and intimate ties with India.

India is our closest neighbour, the world's fastest growing large economy, the most populous democracy, our largest source of tourists, and the people with whom we share such strong ancient and contemporary civilisational ties.

At the same time, our ability to integrate with the region while maintaining a strong and healthy relationship with the subcontinent has always paid rich dividends.



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#GOID2016 Harsha De Silva:
Sri Lanka's success depends on
maintaining relations with India.

I like to go back to the thinking of the Minister of Foreign Affairs Mangala Samaraweera to seek an answer to what is meant by region. Is Sri Lanka a South Asian nation? Or is it an Indian Ocean country?

Throughout its ancient history, Sri Lanka has had close links with the entire Indian Ocean rim spanning from Africa, the Arab Gulf, Persia, South Asia, South East Asia, and Australia.

A classic example is the reign of much-adored King Parakramabahu the Great, from 1153 to 1186, based out of Polonnaruwa. The Culavamsa and other chronicles along with archaeological excavations provide ample evidence of our engagements with Indian Ocean countries and beyond.

Ships had come from these countries to Lanka filled with numerous products. They had been stockpiled and resold to traders who had visited the island from various other parts of the world, giving rise to substantiated speculation that Sri Lanka was an important entrepot trading centre at that time.

Coins issued by monarchs in China, Cambodia, Bengal, Persia, Middle East, Egypt, and Greece had been found almost throughout the country, relating to his period and signifying the trade relations he would have had at that time.

The fact is that Sri Lanka, geographically located at the centre of the Indian Ocean and sitting astride major East-West and South-South trade routes, is at the crossroads of the Indian Ocean world.

However, over time, we had come to become classified as a South Asian country and our own imaginations and those of others turned towards the Indian hinterland.

But, once again, in the current context, in a comparative sense, we are also the exception to the South Asian identity.

Reclaiming our Indian Ocean identity beyond South Asia, which we are now engaged in, will help us and others unlock the tremendous opportunities Sri Lanka processes for mutual benefit, in creating the new reality in the emerging Asian Century.

Sri Lanka, I believe, should be looked at in that light when discussing the various topics by Indian policymakers and businesspeople during the course of this dialogue.



Such an outcome will help create larger markets to increase trade and foreign investments, open the economies to outside world, enhance the credibility of national reforms and policies, provide an opportunity to strengthen common positions at international fora, and help to reduce or resolve inter-state conflicts.

Efforts to develop our region should not be considered solely as a means to accelerate economic growth but also as an effective mechanism to address broader socio-economic and environmental issues facing the region.

In moving the agenda forward we are now working with new vigour. We have begun to put in place policies to improve our trade to GDP ratio, which had fallen by almost half in the last decade or so.



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#GOID2016 SL deputy FM
discusses scope for enhancing
India-Sri Lanka cooperation.

Removing trade barriers, promoting free trade agreements, and generally tilting the economy towards the production of more tradable goods and services have already begun.

As most of you are aware, India and Sri Lanka entered into a structured trade framework in December 1998 with the signing of the Sri Lanka India Free Trade Agreement.

The agreement has produced results over the years despite some areas of contention due to a lack of proper understanding and adjustments of the basic concept of overall trade.

We hope that the contentious issues can be sorted out soon and the Economic and Technical Corporation Agreement between our two countries can become a reality soon, which will open new opportunities in services and investments.

We are in the process of deepening our FTA with Pakistan. We are also negotiating a Free Trade Agreement with China.

The agreements with China, India, and Pakistan will give us preferential access to a market of almost 3 billion people; certainly a rare if not 'unique selling point'.

We are also exploring the possibility of signing agreements with several other countries, including Singapore and Turkey in the near term.

In addition, we are assessing the merits of seeking to join the Trans Pacific Partnership.

Already Indian business understands the value of using the ports of Colombo, both sea and air. And we are in the process of adding capacity to both.

In the recent past 70 to 80% of the TEUs [twenty-foot equivalent unit] handled by Colombo port was trans-shipment to India.

With liberal air connectivity between the two countries and 120 weekly flights, Sri Lankan Airlines earns 40% revenue from these routes.

The possibilities for India and Sri Lanka will become endless as we become the Indian Ocean hub, with equidistance between the West and Far East - that opportunity between Singapore and Dubai for so long in the modern times has been underutilised.

I wish all participants fruitful deliberations for a prosperous regional engagement that is mutually beneficial.

Thank you.

Inaugural Keynote

India's Foreign Secretary S. Jaishankar delivered the Opening Keynote address at the first Gateway of India Dialogue in Mumbai in June 2016. In his speech, he detailed how India is aligning its business and strategic goals

S. Jaishankar

It is a great pleasure to welcome you all this evening to the Gateway of India Dialogue on 'Where Geopolitics Meets Business'. The opening session, quite appropriately, is themed on aligning business and strategic goals. In India, there is probably no better place than Mumbai to carry forward such a discussion. The Ministry of External Affairs is particularly pleased to support this event and to partner with Gateway House in that endeavour. An impressive programme awaits you all and I would like to thank all those who have made this possible.

The connection between business and diplomacy is self-evident. Indeed, business has driven national and group strategies virtually over the entire course of human history. The issue, therefore, is less about correlation and more of the extent of centrality of business to the formulation of strategy. Indian experience since Independence reveals that the growing salience of business at home is reflected abroad as well. An era of greater state control and direction obviously had its own particular brand of diplomacy. With changing times and higher growth, a new mindset gradually came into place. There is a sharper realisation that the real strengths of any nation are primarily economic.

That, in turn, has led to a growing recognition that business provides the ballast for many of our important international relationships. ASEAN, the Gulf, the U.S., and China are examples. It is the primary driver in some, perhaps a little less salient in others, but never entirely absent. In contentious situations, business can even serve as a mitigating factor. Where strategic imperatives are less pronounced-in Europe, Latin America, and parts of Africa-business is actually our main connect. As we now look beyond narrower economic reform towards a much broader modernisation effort, its relevance to our engagement with the world is only stronger.

India's approach in aligning business and strategic goals bears some similarity to the experiences of East Asian and South East Asian polities as they traversed their path of national development. Increasingly, our foreign policy is dominated by the quest for capital, resources, technology, capabilities, and best practices. They have become the benchmarks to judge the success or otherwise of policies and interactions. It is telling that considerable efforts are invested to encourage the involvement of external partners in development programmes like Digital India, Skill India, Smart Cities or Namame Gange. When a prime minister goes to Hannover to showcase 'Make in India' or to San Francisco to unveil 'StartUp India', clearly we are entering a different era. It is one where making it easier to do business is a key element of our strategy.

Today, every embassy has a designated commercial officer. We are the first port of call not just for Indian business going out, but increasingly for foreign business coming in. There is a division in the Foreign Ministry tasked to hand-hold foreign investors. Creating a better enabling environment for business is our daily mantra. And addressing the political and regulatory impediments is very much at the heart of our diplomatic agenda. This is a very different Foreign Service from the one I joined four decades ago.

Underlying the endeavour to align business and strategic goals is our shifting understanding of the world itself. A period of extraordinary change began with the end of the Cold War and the economic rise of Asia. It was further underlined by the 2008 crisis that brought out the redistribution of power in the global order. But perhaps even more impactful are the daily consequences of multiple technology revolutions. To a country like India, they offer enormous leap-frogging possibilities.

It is not just the power hierarchy that is changing. The actual interplay of nation states is clearly circumscribed by interdependence. The global strategic landscape, in fact, looks increasingly like a business environment. Its key concepts are risk assessments, convergence, margins, competition, leveraging, and

hedging. Different partners, some with competing interests, often have to be simultaneously engaged. If operations have become more nuanced, challenges in international politics too are more blurred. Nothing is absolute anymore. Those who can comprehend this changing paradigm will get ahead. Conversely, those who cannot are destined to be trapped in old debates.



#GOID2016

Foreign Secy S. Jaishankar discusses why Mumbai best suited platform to align business & strategic goals

With this background, it is useful to evaluate how India's capabilities and requirements will impinge on its global strategy. Let me begin with resources, in our case the most important of them being the human one. Whether India really reaps the demographic dividend or not depends on our economic growth, the expansion of manufacturing, the success of skilling initiatives and the spread of education, literacy, and health. Clearly, these are policy outcomes and not a foregone conclusion. But as prospects improve, we must assess

the importance of the availability and accessibility of human resources to an ageing world. While there may be political and social repercussions, the economic logic of changing production and skills centres is hard to ignore. Global trade discussions cannot indefinitely frontload goods and investments at the cost of services and labour mobility.

Then there is the question of how we see the implications of expanding manufacturing at home. 'Make in India' is not 'make for India'. While we may legitimately exploit our domestic market advantages, the real game is to integrate more deeply into the global supply chain and gain better market access abroad. Indeed, striking an optimal balance between these competing factors is at the heart of our trade strategy.

In so far as our resource dependence is concerned, probably the one most worthy of strategising is that relating to energy. Not coincidentally, it is also the domain that has seen the greatest activism in our recent diplomatic interactions. Where fossil fuel is concerned, one objective is to obtain assured upstream access in producing economies like Russia, Iran, UAE, Qatar, Mexico or Saudi Arabia. Another is to secure greater investments in downstream areas. But with the world moving towards greener and cleaner energy, and given our own commitment to shift to 40% non-fossil power generation capacity by 2030, attention is increasingly shifting to renewables. Our solar energy programme has been exceptionally ambitious and has got off to a flying start. The International Solar Alliance initiative reflects this priority.

It is, however, nuclear energy that will constitute the core of this commitment and is, therefore, central to India's approach to climate change. In that regard, we are in a position now to build on the international cooperation openings that have been negotiated in the last decade and confirmed by the settlement of the liability issue. The path is once again open to a substantial increase in domestically produced nuclear power plants while simultaneously moving forward with foreign partners.



These large anticipated investments in the nuclear energy sector can, however, only happen in a climate of predictability. In particular, it would require greater certainty of trading rules and technology access. It is our expectation that membership of the Nuclear Suppliers Group can effectively address that concern. A stronger Indian nuclear industry can help make nuclear power more competitive globally. Indeed, as our own nuclear industry expands and we go rapidly beyond the 140 nuclear-related export licences that we issued last year, it is also in the larger interest that our practices

are in conformity with global ones.

If assured energy is one critical enabler to sustain and accelerate growth, then better connectivity and a modern infrastructure is the second. Considerable diplomatic energies are consequently devoted to this

objective where international partnerships can make all the difference. They build on infrastructure initiatives already underway like the Delhi-Mumbai Industrial Corridor, but also on more liberal FDI policies recently put in place for key sectors like railways, ports, roads, and highways. There has been progress across a broad front with some changes already visible on the ground, others moving out of the drawing board, and still more in different stages of the pipeline. Japan has been a particularly valued partner in this context, but China, some ASEAN members, Europe, and the U.S. are also coming into play in its many dimensions.

These infrastructure developments will certainly have geopolitical repercussions. At the minimum, they would accelerate the global economic rebalancing by helping provide the foundation for India's manufacturing ambitions. But they would also correct historical imbalances, in particular, by developing our eastern coast that was so neglected during the colonial period. In the Ministry of External Affairs, we have a particular responsibility towards the conceptualisation and execution of connectivity projects relating to our immediate neighbours.

Assessing the progress that we are making, I can predict with some confidence that regional connectivity will advance substantially even in the next few years. So too will our access to the extended neighbourhood. Projects underway in Bangladesh and Myanmar will strengthen our 'Act East' capabilities. On the west, the Chabahar port and other Iranian-centred international transit initiatives will give us better access not just to Afghanistan but Central Asia, Russia, and even Europe. Our encouragement to business stepping forward is obviously not oblivious to a strategic logic.



#GOID2016

FS Jaishankar: Global trade discussions have to include services aspect sooner rather than later #India

A related issue is strengthening the ability of Indian businesses to effectively compete abroad. We cannot be impervious to the global trend of battling for your business. Whether it is facilitating credit or access, undertaking networking or advocacy, this is increasingly a legitimate expectation that business has of the government. Building a 'Team India' culture within and beyond officialdom is very much a part of this thinking. That the foreign ministry has today specific divisions to focus on lines of credit, training, and projects abroad underlines this more strategic view of business.

While the reordering of the global system reflects opportunities that have been seized, they also come with their own burdens and responsibilities. It is evident that ensuring the security of the global commons and responding to its many challenges will increasingly have to be a shared endeavour. By virtue of its location, reflecting ties of kinship and culture, and taking into account its growing commerce, India has a particular obligation in respect to the oceans in the south. We are responding vigorously and effectively through a more integrated strategy. Examples include white shipping agreements, coastal surveillance, hydrographic surveys, HADR operations, and naval exercises. Indeed, it is this domain that most expressively demonstrates the alignment that we are discussing.

Of all the global challenges, none has captured the world's attention more than that of the threat of terrorism. Whether it is its orthodox version that this city knows only too well, or the more recent cyber manifestations, the intention remains one of dominating through disruption. National resilience and systemic hardening are obviously part of the answer. But equally important are preemptive and responsive policies. International cooperation in that regard has consequently come to occupy a significant place in our diplomatic agenda. While this is a subject in itself, let me just state that events have shown that a reputational downgrade is as damaging for nations as for companies.

To sum up, a comparison of statements and outcomes of Indian diplomacy over the last many decades will bring out how much more central economic and developmental issues have become to our external engagements. No high-level visit is complete today without a business event. Ensuring market access and responding to investor concerns are taken as a given. The advancement of flagship programmes is clearly a key thrust. Enhancing national branding is a major preoccupation. Most important, a more global business outreach has widened the horizons of Indian diplomacy. A 'new normal' is in the making, one where the business of Indian diplomacy is increasingly business.

1. Innovating for Asian Integration

Session Notes

Introduction and objectives

As Asia begins to envision its potential as a Common Market, the possibilities to innovate for this integration are immense. Can Asia's technology giants partner with each other to create new products and services that are affordable and innovative for Asian markets, and beyond? What are the policy innovations needed to stimulate these new trends?



At the Gateway of India Dialogue, the panel that discussed these issues comprised Mohandas Pai, chairman of Manipal Global, Curtis Chin, former U.S. ambassador to the Asian Development Bank, and Syed Munir Khasru of the Institute for Policy, Advocacy and Governance, Bangladesh. The session was moderated by K.N. Vaidyanathan, Adjunct Senior Geoeconomics Fellow, Gateway House, and Chief Risk Officer, Mahindra Group.

The main points they discussed were: The possibility of an Asian Common Market; whether innovation will emerge from a top-down or bottom-up model; how intra-Asian trade can accelerate

innovation and ensure durable growth; and the social and financial constraints to trade partnerships and innovation

Key points

A business case for an Asian Common Market. Such a market, minus a political union and common currency looks, statistically plausible for this region, which has 60% of the world's population, a 37% share of global GDP and 32% of world trade. Asia can grow at 5% annually in the coming years, nearly twice the rate of global growth. Many factors are favourable for an integrating Asia, such as disruptive technology, energy transformations, demographic changes, and resilient economic growth cycles in India and China as compared to contraction in most of the advanced economies.

'Little BRIC' is a concern for innovation and integration. 'Little BRIC' stands for 'bureaucracy, regulation, intervention by government, and corruption'. An appropriate balance must be found with these realities of Asia, and its ambition to drive forward innovation and integration. Old-style Indian business needs to think more about innovation and integration, and the government must also work to free business from bureaucratic blocks because it is the private sector that will drive the future. An estimated 60%-70% of Asian markets will integrate through market forces; political will should take the responsibility of easing the way for the remaining 30%.

Where will innovation come from? The biggest force that can drive geopolitical change is innovation. The views are mixed on whether innovation in Asia will come from a top-down or bottom-up model. But if the top 500 million in India adapt to innovation and disruption, it will have a major impact. Business can also profit from innovation for the bottom-of-the-pyramid segment, which addresses social realities. In general, youth across socio-economic groups are energetic, optimistic, and ready to rise to the challenge of adapting to a world where innovation is disrupting established systems and norms.

The Gateway House view

Geopolitical models are being dislodged, and over the next decade known economic models will be further disrupted due to innovation. Intra-Asia trade and the private sector will drive this innovation, which will in turn drive geopolitics.

But political will is necessary to drive innovation forward, because in the real world, politics and innovation are interdependent.

At present though intra-Asia trade is low. Speeding up the ASEAN economic community will accelerate trade and business interactions. Huge Asian corporations in the world of technology, agriculture, and manufacturing should collaborate to create products and services suitable for Asian markets and purchasing power.

There is a clear ambition within business for Asian integration and the benefits that can accrue from innovation. To this end, business and governments can come together to overcome capacity constraints, pooling expertise to ensure fair and speedy negotiations in regional trade pacts.



#GOID2016

Prof Khasru caps opening
dialogue by stressing
importance of social
innovation in Asian context.

2. The Politics of Global Capital

Breakfast Keynote

The Chairman of the Securities And Exchange Board of India, U.K. Sinha, delivered the keynote during the Breakfast Dialogue on 'The Politics of Global Capital' at India's first Gateway of India Dialogue in Mumbai. Sinha's speech discussed the changing politics of global capital and the rise of emerging economies.

U.K. Sinha

Good morning, everybody. The Politics of Global Capital is a very interesting topic. Finance is a great power play-even in the domestic context it is a power play, but when we go into the international context, it is a power play which goes up exponentially.

Ever since we have had recorded history, international finance has always been dictated by the powerful. At times the laws and rules have been written either by those who have won wars or under threat of military action. In peace time, as a geography or jurisdiction starts gaining economic power, it demands a change in the power play in a very assertive manner.

Also, institutions and arrangements which were created post World War II are being challenged again and again in a very serious and systematic way. But whether we have been able to move forward as per the requirements and realities of the present world, is a question which all of us need to address.

There are strong feelings, especially in emerging and developing markets, that the realities of the current world are not being recognised. And that is one of the reasons why demands for changes in the institutions have become more and more vocal. When those demands are not being met, alternatives are being looked at. For years together, IMF reforms have been talked about without much success. So, in sheer frustration, if nothing else, alternate institutions are being created. Alternate boundaries are being drawn. In this context, the creation of the NDB (New Development Bank) and the Asian Infrastructure Investment Bank are very, very significant developments. The aspirations of the people of emerging and developing market economies have to be met or else the underlying feelings for a rightful realignment of roles will keep manifesting in newer ways.

Another point that I would like to highlight is that post the global financial crisis, we saw that in the international regulatory bodies, certain additional voice was given to emerging markets, which they didn't have earlier. For example, the Financial Stability Forum was changed into the Financial Stability Board (FSB) and countries like China, India, and Brazil got a seat there. In IOSCO (International Organization of Securities Commissions), the executive community was reconstituted and these countries got a seat. When we got the seat on the main table, it gave us an opportunity to be heard.

Just to give an example, the global financial crisis was not created by any of the emerging markets, but they nevertheless suffered. One of the reasons that this development took place was over-the-counter derivatives-the OTC derivatives. There has been a consistent demand in IOSCO and also the FSB for changes in the OTC derivatives pattern. There has been some policy level engagement and agreements that 'yes, this is a good demand, it should be met', but unfortunately, we have not moved much from this. So while we have been heard, whether we are effective-I have my doubts.

Similarly, money market funds were one of the reasons that there was extreme volatility at the time of global financial crisis. All over the world, including India, we have what we call the net asset value based money market funds. However, the bigger countries have a system of fixed NAV which was the root of serious volatility and disturbance. It has taken IOSCO more than five to six years to even come to a conclusion that this rule needs to be changed.

Also, in global standard-settings, for example, the new rules about capital for banks, to my mind, have been guided by the philosophy of 'one size fits all'. What about the problems of the emerging markets where

there are huge requirements for investments, particularly in infrastructure? How do we meet that if we have to have the same capital requirements, resulting thereby in either the deposit rates to be reduced, the cost of employees to be reduced, or the cost of lending to go up?

These are some of the developments that come to mind post the global financial crisis. While dialogues have started taking place-which is a welcome development-whether we have a meaningful say in the final outcome, I think we have a lot of ground to cover.

Another thing that comes to my mind is a fair and effective market review to address the issues of market misconduct. These issues are being examined by IOSCO and FSB. Some best practices are being highlighted, but a lot more needs to be done.

The point I am trying to highlight here is that there has been some progress post the global financial crisis; maybe more and more discussions are taking place where the voices of other countries are also being heard. But effectiveness has not yet come. Perhaps it will take some more time.

Another development which I would like to highlight is that in their enthusiasm to take action post the global financial crisis, some national and regional bodies have come out with legislations and enactments which have serious elements of extra territoriality. They are applicable not only to them or the jurisdictions that they cover, but also outside their jurisdictions-and they have the force of law.

Let us take the example of European Market Infrastructure Regulation (EMIR), where one of the requirements is that if any bank or institution originating in the Euro area is acting as a clearing member of a clearing corporation outside the EU, then that clearing corporation has to obtain recognition from the European Securities Market Authority (ESMA). Whether that clearing corporation is following the prevalent global standards set by IOSCO or FSB is not applicable. They have to undergo a separate process of recognition by the European authorities. This has led to serious problems. Almost all the emerging markets have been talking to them.

Some temporary solutions have been brought about, but the question is-and it's the basic question-are we guided by global standards that have been mutually accepted and agreed upon, or can national guidelines/regional guidelines override global standards and countries have to succumb to these requirements?

This is the power play.

Another example is the U.S. Commodities Futures Trading Commission (CFTC), which came out with its own guidelines about settlements of commodity derivatives. There have been problems with emerging markets dealing with it. And certain dialogues have again come up with temporary solutions. So we have to consider and look at whether, as a global community, we are going for global standard-setting which will be followed by everybody, or will there be over and above regional and national standards that will be superimposed

Another area which is very significant in this point is the element of reciprocity. Should there be an element of reciprocity or not? Can one country impose its will on another without caring for reciprocity? Unfortunately, the current situation is where reciprocity is not being followed.



Rajrishi Singhal

@RajrishiSinghal Jun 14

#SEBI chief #UKSinha says only financially independent regulators can avoid regulatory capture

#GOID2016 @GatewayHouseIND



In this context, I would like to highlight the area of taxation and anti-money laundering. These are areas where the Financial Action Task Force, and those who are members and signatories to Financial Action Task Force, have to follow certain common guidelines. But we are seeing examples of alternate efforts being made to attract corporations to particular jurisdictions. There are corporations which are doing it, there are jurisdictions which are doing it. How to come out with a predictable regime on global taxation is something which is again not being guided by fair play, but where there are a number of other developments or power plays which are being enacted. In some of these cases, the effort is not towards tax avoidance only, but also towards tax evasion. It is now becoming a global question-how this type of initiative is handled in a combined way and in a common way.



Gateway House ICGR

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#GOID2016: IMF reforms

have been talked of for too

long, eventually driving creation of
alternate financial organizations.

So far as trade is concerned, again we are seeing that the regional treaties that are being drawn up are primarily guided by the consideration of who is in a superior position to impose that, rather than by looking into the aspirations of a vast number of countries where there are significant populations residing and which are concerned with trade issues.

Because of the advantage of having reserve money, certain jurisdictions have an advantage with regards to where the central banks or sovereign wealth funds will park their money. What about the requirement of funds in the emerging markets, for example, in areas of infrastructure? What do we do about that? These are the questions that need to be deliberated and some path has to be looked at and some forward-looking thinking has to be there.

Drawing from the earlier session you had, the session on Asian cooperation, I am reminded that as early as in 2003, there was a serious attempt to create an Asian bond market. Certain jurisdictions in Asia took a lot of interest in that, but we must blame ourselves that we could not move forward. There were some political or diplomatic issues and because of that, the savings of an entire Asia continue to go into other jurisdictions and the requirements of Asia are not being met.

I would like to end by saying that the emerging markets, the developing markets, have to come together and look at areas of cooperation whereby they can jointly take care of the requirements of resources and capital of each other. If we are able to do that, we will be changing the face of this earth. Thank you very much for inviting me.

The Politics of Global Capital

Session Notes

Introduction and objectives

Capital seeks returns, and is indispensable for economic activity. But as the world becomes more financially integrated, through both trade and financial markets, capital is being used with greater intensity as an instrument for securing geopolitical and geoeconomic goals. Currency wars, global financial regulations, competing international financial centres, and transnational financial markets infrastructure—these are the platforms where the new global economic rules are being designed. As in the realm of trade, these have increasingly segmented and regionalised over the past decade, and especially after the global financial crisis of 2008.

This session at the Gateway of India Dialogue began with a keynote address by U.K. Sinha, chairman of the Securities and Exchange Board of India. The participants in the subsequent panel discussion were Sinha, Jane Diplock, former chair of the executive committee of the International Organization of Securities Commissions, Madrid and current deputy chair of the International Integrated Reporting Council, London. Rohinton Medhora, president of the Centre for International Governance Innovation, and Zhang Wencai vice president, operations, of the Asian Development Bank. The session was moderated by Luis Miranda, advisor, Morgan Stanley and advisory board member, Gateway House.



These were the main discussion points: What are the underlying reasons for the perceived imbalances in the global financial architecture, which favours some countries over others? How are global capital flows affected by these structures? Has anything changed since the global financial crisis? What are the prospects for reform in the future?

Key points

Global finance and capital markets have outgrown the financial institutions set up by the Bretton Woods conference in 1944. Symptomatic of this is the debate about the relatively low influence of developing nations in the writing of international financial rules and the emergence of alternative institutions such as the Asian International Investment Bank and the New Development Bank. Capital mobility was limited when the International Monetary Fund and the World Bank were formed, but today there are gaps between where global finance is needed and where it is directed. The "fourth pillar" of global financial stability is missing—a treaty-based Financial Stability Board.

Global financial architecture remains deeply politicised. Domestic policies, the preferences of the "winners" of historical arguments, and vested interests of the financial centres of the world have allowed international institutions to steer the structure and rule-writing in their own favour. This creates distortions, with no clarity, for instance, on whether mutually-accepted global standards or national/regional rules apply for derivatives. Global standard-setting is affected by domestic influences. Other thorny areas include taxation and extra-territoriality. National governments have the right to design and define their own policies. The areas of particular difficulty in designing legislation include taxation and financial secrecy, which was highlighted by the Panama Papers.

Good governance, independence, trust deficit, regulatory capture. While national governments must have the authority to write their own rules, equally the independence (financial and otherwise) of the regulator is paramount in order to avoid regulatory capture. Regulators must, for example, have the ability to supervise government-owned companies as well as privately-held ones, and be accountable to national parliaments, not the government of the day.

There is a breakdown of trust between the producers and distributors of capital, between business and stakeholders in business, and the true beneficiaries of global capitalism-citizens and tax payers. It is necessary to rebuild public trust and articulate clearly how business adds value to society over the short, medium, and long term, in non-financial terms.

Changing the way in which financial institutions are structured and run can address that deficit. Central to this is the greater influence of developing countries and greater collaboration to avoid a balkanisation of the regulatory regimes that govern capital flows. A "war for capital" is on around the world. Who will win the war for funds? And will future rules for global regulation once again be written by the winners, as has been the case in the past?

More collaboration to manage global capital flows. Greater collaboration at the regional, bilateral, and international levels is necessary. Investment volumes are increasing both into and out of Asia despite continued protectionism by developed and capital-outflow countries in trade and investment. There are inherent dangers in creating overlapping regional, bilateral, and international frameworks for trade and investment. But unequal negotiating power between developed and developing countries in mega-trade deals could once again set aside the aspirations of developing countries.



Manjeet Kripalani

@ManjeetKrip Jun 14

#GOID2016 Jane Diplock:
there's a global war on for capital.
And breach of trust between
producers&distributors of
funds and its recipients.

The Gateway House view

The breakdown of trust between society and financial facilitators must be rebuilt. Developing countries are still suffering from the impact of the 2008 crisis, which they did not create. India scores well on risk management measures evaluated by the IMF, but needs to pass the same test for a regional regulator.

The distortions must be written out of the global rules, and India can take the lead in doing so. This can take forward global rule-writing, which continues to be focused on solving the problems of the last crisis, rather than looking to prevent future crises. Given the new types of financial activity, such as the Bitcoin regime and crypto-currencies, new risks that are as yet unmapped can be destabilising.

India can shape the ongoing debate about global governance standards.

3. Strategic Financing for Effective Diplomacy

Session Notes

Introduction and objectives

The era of aid diplomacy initiated by the West has been overtaken by China's innovative and successful resource diplomacy. With the establishment of China's Asian Infrastructure Investment Bank and the New Development Bank, outward foreign direct investments, export financing and sovereign wealth funds are becoming strategic instruments of this new economic diplomacy.

India too is starting to participate, beyond its existing strengths in capacity-building programmes. What are the pros and cons of this evolving architecture? How effective has this evolution been for developing countries and emerging markets? Can India add new dimensions to this evolving diplomatic play?

On the panel at the Gateway of India Dialogue to discuss these issues were David Rasquinha, deputy managing director, EXIM Bank India, Mark Calabria, director of Financial Regulation Studies, CATO Institute, Washington, DC, Hans Kundnani, senior Transatlantic fellow, German Marshall Fund, Berlin, Kapil Kapoor, director, African Development Bank, Ivory Coast, and Serdar Çam, president, Turkish International Cooperation and Development Agency, Ankara. The discussion was moderated by Akshay Mathur, Director of Research and Geoeconomics Fellow, Gateway House.



The main discussion points were: Aid as economic leverage; export-import banks should be used well as policy instruments; trade agreements are now tools for economic and geopolitics aims; India must compete intelligently with China.

Key points

Nations use a variety of economic instruments for diplomacy. Concessional loans, equity investments, grants, and multilateral financing are some of the instruments countries use for economic diplomacy. Export-import banks began as a non-market response to market failures, but they should really be policy instruments that help bilateral cooperation and overseas assistance, which are a country's strategic imperative. Equity investments are appropriate for high risk projects. Multilateral organisations are launching off-balance-sheet instruments to raise funds for expensive infrastructure projects. Grants should be re-established as an effective tool, especially where recipients find it difficult to repay loans.

Aid should focus on humanitarian needs, but is still used for geopolitical leverage. Aid must be a response to humanitarian crises and a tool for bilateral cooperation and development assistance, but it continues to be an overly administrative process, linked to economic, military, and geopolitical goals. Donating countries should not expect to gain from the aid provided. Export-import banks can play a positive role as they did when they emerged from the crises of the Great Depression, providing reconstruction aid after the two World Wars when private financing was difficult. Their aid can be a transformational activity, like financing electricity and water projects.

Multilateral financial institutions have a western bias. After World War II international the governance structures of international financial institutions, dominated by the G7 countries, have become outdated .For example, in the African Development Bank (ADB), India is represented by Nordic countries and China by Canada-but these western countries carry heavy weight of veto power on key development issues today. For example, Africa energy needs coal, but the western world's aspirations for renewable energy means the ADB-or sovereign funds-cannot finance any bankable coal projects there. Many western civil society and donor organisations also impose such conditions.



Lubna Kably@lubnakTOI Jun 14

There is a disconnect between
geo-economics & eco-diplomacy,
particularly strong in
Asia Hans Kundnani,
Marshall Fund #GOID2016

India's foreign economic policy must be sharpened. India will be intelligently served if it identifies core sectors and geographical areas on which to focus its limited resources. For instance, the African healthcare sector will do well with India's help. In addition, using a combination of grants, lines of credit, and overseas assistance, Exim India can grow into an institution like the Japan Bank for International Corporation, which provides international developmental assistance and balances the commercial side of the business with the government-aided side.

The Gateway House view

India can be more assertive on strategic financing by:

1. Actively participating in the reform of G7-dominated multilaterals, and supporting new multilateral institutions.
2. Strengthening independence and add capital to India's externally-focused institutions such as the Exim Bank for developmental assistance and commercial objectives.
3. Institutionalising a common outward foreign direct investment and assistance policy that assimilates the work done globally by India's aid agencies, energy companies, banking services, engineering consultants, and technology start-ups.
4. Building expertise and experience in foreign economic relations, especially at embassies and public-sector companies.

4. Mega trade agreements: Economic fragmentation or integration?

Session Notes

Introduction and objectives

This is a time when old institutions like the World Trade Organisation are weakening as the focus shifts to plurilateral arrangements that include services, investments, and sub-national regulations. These proposed new mega-trade agreements will produce winners and losers.

Where does India stand in this spaghetti bowl of trade agreements? How will the emergence of mega-trade deals impact and influence the new rules of trade?

On a panel at the Gateway of India Dialogue to discuss these topics were Hidetoshi Nishimura, president, Economic Research Institute for ASEAN and East Asia, Indonesia, Seiji Takagi, deputy director-general for trade policy, Ministry of Economy, Trade and Industry, Japan, and Wang Wen, executive dean, Chongyang Institute of Financial Studies, Renmin University, Beijing. The discussion was moderated by Sachin Chaturvedi, director general, Research and Information Systems, New Delhi.



The main discussion points were: the impact of mega-trade agreements, measures that developing countries can take to handle this impact, and, in this context, the creation of an 'Asian' identity.

Key points

Megatrade agreements are not inclusive. Agreements like the Trans-Pacific Partnership (TPP) exclude most of the emerging markets such as India, China, Brazil, Iran, and South Africa. Many view them as trade protectionism and not as free trade; they are anti-globalisation not pro-globalisation. The most dominant country in these deals will benefit the most, the agreements are not aimed at furthering the interests of developing countries. But there is a counter to this view too-that the big agreements are an opportunity for participating countries to increase their gross domestic product and, in turn, increase global economic growth.

The World Trade Organisation (WTO) needs to be protected. The WTO is a credible court of dispute settlement, but its multilateralism is not effective enough. So it is under pressure from mega-trade agreements like the TPP and the Transatlantic Trade and Investment Partnership (TTIP). These are deals being promoted by the U.S., which itself promoted the WTO after World War II. But because emerging economies are not a part of the new big trade deals, it is imperative to protect the WTO system.

Reforming domestic economies is key to reaping the benefits of mega-regional trade. Domestic reform is necessary for a country to become a winner in the emerging matrix of mega and free trade agreements. Implementing structural reform attracts foreign direct investment (FDI) for manufacturing and expands trade links. Japan is making an effort to help transform India and make it mega-trade ready in areas like infrastructure, capacity building, human resource development, competitive federalism, and connectivity.

We can learn from ASEAN's experience with trade agreements. Implementing trade deals is a long process, but it can be worthwhile in economic terms. This is evident from ASEAN's experience-it has benefitted from FDI, and thereafter from trade agreements. It is important to create trust so that businesses

willingly invest in nations. Mega trade, like FDI, also depends on trust. Implementation and the extent to which expectations are met depend on individual countries and how serious they are about reform and bringing in investment. Even if ambitious targets are not always achieved, it is important to talk publically about goals, to establish conditions and a blueprint to achieve the next set of goals, to create an 'accountability folder' for investors.



Rajrishi Singhal

@RajrishiSinghal Jun 14

@Sachin_Chat says impact on world trade and not percentage of world trade should define mega #trade pacts.

@GOID2016 @GatewayHouseIND #TPP

'Make in India' is a good pilot for managing mega-trade agreements. Declare it a national priority for a year, attract FDI, and check every detail of the programme for accountability and implementation. This will create confidence in investors, and the same process can be used to help India scale up to participate in mega-trade agreements.

It is necessary to revisit and redefine the 'Asian identity'. The emergence of China and India has dramatically changed the economic and political equations in Asia. Japan is no longer at the top of the pecking order.

The change has largely derailed the narrative around the economic integration of Asia. But the three giants of Asia-India, Japan, and China-must recall their common linkages and work to rebuild the idea of an Asian community. It has taken ASEAN five decades to establish its identity and economic integration began only after the 1997 Asian crisis. Redefining an Asian identity might be a long process but well worth the time and inputs.

The Gateway House view

Trade does have winners and losers, but a lack of understanding about agreements is creating fear in India about being disfavoured in free trade agreements. For India, the way forward is three-fold:

1. Continue on the reform path and create processes and accountability for government programmes like 'make in India', and attract domestic and foreign direct investment.
2. Create processes whereby all trade agreements and CEPAs (comprehensive economic partnership agreements) are regularly reviewed and updated in tandem with current economic capabilities.
3. Support the legitimacy of the WTO as the premier fair trade and dispute-settlement body; develop negotiating capacity; resolve outstanding impasses.



Manjeet Kripalani

@ManjeetKrip Jun 14

#GOID2016 Nishimura: Asean is not for integration, but to prevent us from killing each other

5. Globalisation of Talent and Movement of Labour

Session Notes

Introduction and objectives

Two global movements are occurring simultaneously. One is the globalisation of technology, finance, goods and services, which has created clusters of talent and prosperity around the globe. The other is massive migration, for economic security or as refuge from wars. How are countries and companies dealing with these divergent but concurrent shifts? Has this stalled the process of economic integration? How can talent be successfully harnessed within these vast migrations, without slowing down global economic momentum?

A panel at the Gateway of India Dialogue discussed these issues. On the panel were Chris Alexander, former minister of immigration of Canada and former ambassador to Afghanistan, Lant Pritchett, Harvard Kennedy School, author of *Let their People Come*, and Manish Sabharwal, CEO, Teamlease, Bangalore. Meera Sanyal, director, Pradan, and former India chief executive of the Royal Bank of Scotland, moderated the discussion.

The main points they covered were: The current global migration trends and the lessons to be learnt from these trends, India's role in global migration and labour mobility, and the need to open up the labour market and improve labour productivity in developing countries.



Key points

A better framework is needed to manage the impact of global labour movements. Migration, whether for jobs or for safety, is more now than ever before in history. It is happening in massive numbers: 1 billion, including 750 million internal migrations (according to data quoted by one of the panelists). These movements are uneven and focused mainly towards the U.S., Europe, and the Gulf states.

Some countries place restrictions on incoming workers on the basis of their country of origin. This is like a labour tariff that distorts economies; it is akin to planned economy interventionism. A better way can be giving consideration on merit to skilled workers, as well as merit based on humanitarian considerations-or choosing the most urgent of many humanitarian grounds. Countries with a public commitment to regular migration have seen lower irregular migration.

Education systems can impart the skills needed in the new information age to fit people to purpose-that is, raise employability across the world and, in turn, raise productivity and wages. Clearing houses can be created to share information on employment vacancies globally.

Technology is a barrier to employability and immigration. The inclination to increase automation has made jobs expensive in the western world, thus accentuating the imbalance of global labour mobility. Economies incentivise the use of capital in order to displace the need for labour. The smartest people are making devices that replace labour, but labour is the only asset for billions of people. In some instances, technology cannot replace humans-in the healthcare sector, for example. The aging population in most advanced countries will spur the demand for caregivers, which technology cannot address.

Politics cannot be divorced from labour issues and must be a part of the solution. In countries where labour mobility is seamless, paradoxically, citizenship is almost impossible to secure. If citizenship is plausible, the wait is interminable.

In the domain of economics, labour mobility is supposed to be uniformly favourable. But the problem is politics. When economics creates the ideological and intellectual conditions for new ideas to take root, using people, structure, and advocacy, it can help change the political environment.



Santosh Jha @santjha

It is India that should work for globalisation of talent and movement of labour
#GOID2016 #labour #mode4

India can become a thought leader on issues of global migration and labour mobility. There is no international advocate of labour mobility; none of the major multilateral institutions support it. As an emerging and great power, India must take on global issues that benefit the country and others. It has already led climate change discussions-labour mobility can be the next. And India has an expatriate community of 30 million, a human resource cutting across skill levels, of which it is proud. It is a theme that India can highlight during its G20 presidency.

The Gateway House view

India must lead global thought leadership in labour mobility given the country's demographics and experience with a global expatriate community. When India leads the G20 presidency, it can use the opportunity to foreground this issue. Government programmes like 'Skill India' and 'Start-Up India' are uniquely placed to provide the talent which matches world labour market requirements. It will require corrective action in India's education system, to align it with this labour market. Bipartisan political support can boost this effort.



Gateway House ICGR

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The migration debate cannot be 'insulated from' politics
- the only solution is to win the political debate, says Pritchett #GOID2016

6. Virtual Finance: Inclusive, Invisible, Impactful

Session Notes

Introduction and objectives

The global financial system is being upended by innovations in mobile banking, cashless transactions, Bitcoin, crowd-funding, and the still-vibrant hawala system. How will these innovations shape the evolving global financial order? What are the international and domestic policies that we can design to enable an effective, legitimate, and fair financial system?

A panel at the Gateway of India Dialogue engaged in an extensive conversation on these issues. On the panel were Anshu Jain, former co-CEO of Deutsche Bank, Frankfurt, and now advisor at Social Finance (SoFi), and Piyush Gupta, group chief executive officer DBS Bank, Singapore. Jane Diplock, former chair of the executive committee of the International Organization of Securities Commissions (IOSCO) Madrid, who now heads the International Integrated Reporting Council, London, moderated the discussion.

The important points they covered included the future of banks and business models, the challenge of "disruptive" virtual finance products like bitcoin and of start-ups in the financial technology space, the impact of the near-zero interest rate regimes, and data privacy issues.



Key points

Traditional banks and banking have fundamentally changed after the global financial crisis and the growth of new financial technologies, but these older systems are still trusted. Banking has lost its premier status and appeal after the 2008 crisis and many view it as the source of economic tribulations. Businesses have reverted to the old system of banking where deposits are protected from the uncertainties of investment banking. Banks continue to evoke trust, hold key skills in the payment and settlement cycle, and have deposit bases.

Although China's Alibaba is now the largest payment services company in the world, with the capacity to distort and displace existing banking mechanisms, even AliPay and ApplePay need banks to clear their funds. Besides, funding blue-chip companies will still be best done by traditional banks with their access to steady long-term capital, strong regulatory supervision, and sound business structures. However, banks must now also focus on customising services because their increasingly young customer base uses services and consumes information differently.

The rise and rapid spread of virtual finance has been facilitated by the near-zero interest rate regime. However, the prolonged continuation of the very low rate regime has distorted the pricing of risk, capital flows, market pricing, and institutional behaviour. Instead of boosting spending, it has created a crisis of confidence—consumers are holding back spending, thereby upending economic theory.

Virtual finance systems like Bitcoin and Blockchain have drawn public attention and curiosity but failed to secure critical mass. The appeal of digital currency is its private, decentralised, peer-to-peer operation, outside the sphere of governments. But these currencies will not be dominant instruments in the

near future. Blockchain is a clever, multi-party, global database that counts on trust. However, it needs global protocols that successful networks like SWIFT are still struggling with. Ironically, one way of increasing the convertibility and acceptability of virtual currency is to have it backed by a central bank. The Bank of England and the Central Bank of China are already developing their own versions of Bitcoin.



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Virtual currency just a medium
of exchange in closed loop.

It needs convertibility & central bank
backing to grow:

Gupta @dbsbank #GOID2016

The appetite for private risk-taking is reaching alarming levels. Direct investment decisions by laypersons are growing. An example is China's shadow banking system, which has \$5 trillion in structured loans, trust loans, and other products. But investors are confident they will be bailed out by their government in case of a crisis.

Big data, banking, and millennials are intersecting. Customisation will be key for banking due to the combination of big data, smart phones, and demographics. Many companies are learning this. The volume, veracity, and variety of big data, combined with artificial intelligence and 'deep machine learning', makes it even

more powerful. It can eliminate the need for wealth managers, but will have to be regulated differently and needs global norms.

India's public architecture for digitisation and storage is powerful and unique. India Stack, Aadhar, UPI digital payment-all such the highways of a digital future-are powerful because they are in public hands, unlike in the U.S. and China, where some parts of these technologies are privately-owned.

The Gateway House view

New financial technologies and conventional banking can coexist in the public interest. India's early investment in technology for financial inclusion, though behind China's, is more robust because it is in the public sector. We need smart new regulation for this new era of virtual and traditional finance in order to prevent future crises. India must take the lead in developing the global norms and protocols for these futuristic instruments.



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Every consumer-facing industry in
the world needs a big-data
strategy - nobody can sit this out:

Anshu Jain,

ex-@DeutscheBank CEO #GOID2016

7. Soft Power, Hard Influence

Session Notes

Introduction and objectives

In the 21st century, great powers are no longer defined only by their economic or military prowess—they are also defined by their ability to be liked and respected as leaders. This ability is significantly linked to a country's soft power.

Soft power is generally viewed as an attractive culture, which includes cuisine, the arts, and technology. It also has a political dimension that covers democracy and institutions.

Prime Minister Narendra Modi's frequent references to the Upanishadic concept of *vasudhaiva kutumbakam* (the whole world is one family), introduces another dimension to India's soft power. It raises the bar for the country to position itself beyond culture as its soft power strength, to becoming a champion of multiculturalism as well as ecologically-balanced economic growth.

Can India convert this new dimension into hard geopolitical influence?

At the Gateway of India Dialogue, the panel that set out to explore these issues comprised Vikas Swarup, author of *Q&A* (on which the film *Slumdog Millionaire* is based) and spokesperson for India's Ministry of External Affairs, Bollywood film director Kabir Khan, Hugo Weihe, and chief executive officer of SaffronArt, Mumbai. Author and columnist Shobhaa De moderated the discussion.



The main points they covered were: the deep appeal of ancient Indian culture and knowledge systems, the need to capitalise on the tremendous potential of Indian art by allowing easier access to it, and the necessity of streamlining bureaucratic processes to create a transparent and vibrant market for this heritage.

Key points

Soft power is about influencing the world through ideas. India does not lack in them. But we need smart branding and political vision to back these ideas, as has been done with yoga. The soft power of Bollywood is well-known: a Hindi movie song or gossip about a film star has sometimes even extricated Indians from conflict situations, the panellists noted. Even films which portray a grim slice of India's reality, like *Slumdog Millionaire*, contribute to soft power.

India is a living example of multiculturalism. While this soft power is transmitted through people and osmosis, the government is now promoting soft power in more tangible ways too. One example of this is the creation and celebration of International Yoga Day in 2015 and 2016 through the performance of asanas in many countries across the world. This started just over a year after Modi put forth the idea, and it indicates that soft power is all about winning friends with the power of ideas. But can India's soft power translate into hard, strong influence?

Indian art has tremendous potential that can be tapped into. The country's art is an ambassador. But a lot of India's modern art remains the preserve of the privileged and must be made more accessible. As countries rise economically, their citizens want to buy into their heritage. In the process, non-resident Indians too are buying their representations of their culture with a sense of pride. A growing Indian middle class needs

to 'live' its art to know its own ancient origins. It should not take Indians decades to discover a Gaitonde or Tyeb Mehta, that too only after validation from western art experts.



Dhruva Jaishankar

@d_jaishankar Jun 14

Indian soft power not just about
Bollywood, art, and literature,
but also Buddhism, non-violence,
and electronic voting machines.
#GOID2016

Antiquities-related restrictions must be liberalised. India's antiquities are sublime representations of its civilisation and their actual presence in people's daily life is a source of fulfilment. But for centuries and even today they have been smuggled abroad. Bringing such precious artefacts back to India is extremely complex. This process must be made easy. Registration of antiquities can be made flexible. A domestic arts market that the financially resurgent India can participate in must be created.

The rule of law is necessary to protect artists. Artists often come under fire as being 'anti-national' when they cover sensitive issues. They are subject to hate mails, litigation, and censorship. But many artists find those battles worth fighting in order to make the films and music and canvases through which they want to portray their social concerns. The battles became even more worthwhile for them if the rule of law is enforced in the country. Besides, Indian cinema reflects the issues of other countries too. Hindi films like New York, for example, about terrorist detainees, depict some of the issues faced by West Asia, where there are few opportunities to make such films.

The Gateway House view

India's soft power is underutilised and must move away from the stereotype of Bollywood, butter chicken, and sitar music. This will require the active participation of both citizens and government. We as citizens can patronise and support India's writers, heritage, and crafts without waiting for western validation. The government can use imaginative public messaging to promote India's soft power beyond tourism taglines like 'Incredible India', and facilitate a robust ecosystem around the country's soft power assets.. This includes easing restrictions on the purchase of heritage items such as art and sculpture, encouraging preservation through incentives, incubating a financial market for antiquities and art, and de-politicising creative institutions.



Gateway House ICGR

@GatewayHouseIND Jun 14

With more buying power,
you buy into your own heritage;
demand for Indian art shifting from
NRIs to India: Hugo Weihe
@Saffronart #GOID2016

8. The Geopolitics of New Energy

Power Keynote

India's Minister of State for Petroleum and Natural Gas, Dharmendra Pradhan, delivered the keynote during the Power Dialogue on 'The Geopolitics of New Energy' at the first Gateway of India Dialogue in Mumbai in June 2016. His speech covered global energy trends and how India is working to meet future energy requirements

Dharmendra Pradhan

At the outset let me congratulate Gateway House and the Ministry of External Affairs for launching this conference in Mumbai with the august participation of Indian and international political and business leaders. The sessions yesterday and today cover a wide range of issues which are of immense contemporary importance and straddle the worlds of business, politics, and international relations.

I am glad that this discussion is taking place in Mumbai, which is India's industrial and financial capital. Besides, Mumbai has been in the forefront of leading the Indian oil and gas industry. Starting from hosting the first two refineries after Independence, to Mumbai High's oil and gas production and processing facilities, to beginning the supply of domestic LPG, Mumbai has remained on the frontline of providing energy security for India.



The topic selected by the organisers is very relevant for the present time. In the last two years, I have tried to understand the geopolitics of oil and gas. With all candidness I can say that it is a complex subject. When I took over as minister in May 2014, oil was hovering around \$105-\$110 per barrel. At that time, ISIS started inching towards Baghdad and speculation was rife that oil may reach around \$150 to \$200 per barrel. I spent some sleepless nights as this could have had serious implications for consumers and the general economy in India. This forecast was proven wrong and you all know about the downward oil price spiral that started in the second half of 2014, which took it down to \$26 per barrel.

The topic of discussion of this session-'The Geopolitics of New Energy'-intends to capture the current and possible future dynamics wherein the ground is shifting and goalposts and players are changing. Geopolitics is of immense importance due to its ingrained capacity to create sudden and disruptive pressure on the operations of global energy assets and energy supplies. Certainly, energy lies at the heart of the political, economic, and environmental interests of not just India but the global community as a whole. It is a complex but very important and interesting issue.

The questions which immediately come to mind are:

- Whether the centre of gravity of the world of energy is shifting outside West Asia.
- Are traditional hydrocarbon rich countries being overtaken in importance by new developed and developing countries dispersed globally?
- Is "financialisation" of the energy market playing a larger than ever role in oil prices?
- Will oil and gas remain a preeminent source of energy or will renewables pose a challenge to their historical supremacy?

These are some of the questions which may be on the top of our minds during this session.

Friends, in my address I will try to capture some of the trends being observed both in the geopolitics of energy as well as the financial and technology dimension of oil and gas. I will then speak about the impact of these changes for India. I will also share what India is doing in the face of this changing oil and gas canvas.

Let me make some eight observations on recent developments in oil and gas:

1. The centre of gravity of oil supply has shifted outside of the Middle East. Countries like USA, Russia, Canada, Australia, countries from Africa, Latin America, Central Asia and a few other countries have also emerged as major suppliers of oil and gas-leading to a changed energy landscape. There has been a new level of energy cooperation between these countries and energy importing countries, which was never seen before. A few examples are the China-Turkmenistan gas pipelines, the China-Russia multi-billion dollar gas pipeline, Indian investment in the energy resources of Russia, Africa, and Latin America, and Indian plans to source LNG from the U.S., Australia, etc.
2. Major consumers and importers of oil and gas are now countries from Asia-like China, India, Japan, and South Korea. This trend is likely to continue in the future. It is certain that buyers will have more bargaining power vis-a-vis the suppliers than in the past.
3. The re-entry of Iran after the lifting of sanctions has changed the dynamics and decision making process within OPEC. The OPEC meetings in Doha in April and Vienna earlier this month reflect the role OPEC will play, or better said, will not play in the world of oil in the near future. The loosening of OPEC's hold on the oil market, with more non-OPEC oil, is a significant development.
4. New sources of oil and gas, and the emergence of cost effective alternate forms of energy, have forced many oil dependent economies to start thinking of a "post-oil economy", as articulated by Saudi Arabia in its Vision 2030. There are arguments that a self-balancing mechanism of oil price has developed in the market now. While continued low oil prices have slowed down U.S.'s shale production and Canadian oil sands, they will rebound if the oil prices go up again, thereby having control of the price rise for longer periods.
5. Technology has brought some good news. It has brought some certainty in this ever-changing world of oil and gas. Advanced drilling, seismic and recovery technology, more accurate data analysis, efficient refining, better conservation techniques, modern pipelines, and marketing infrastructure have emerged as key drivers enabling us to find and extract more oil and gas. Technology has also enabled fracking, which turned the world's largest energy consumer into a potential exporter. Technology has also helped create alternatives for fossil fuels. The prices of renewable energy, especially solar, have fallen sharply in the past five years. Electric vehicle technology has also improved in a big way. These technologies can end up reducing the demand for fossil fuels at a time when supply is going up.
6. Price volatility is not new to oil and gas markets. Oil prices have been on a roller coaster ride several times. The last 20 years have seen prices move between \$16 and \$125. I do not think that the current price volatility is entirely due to supply-demand reasons. Historically, oil has very rarely obeyed the supply-demand logic. Prices have been guided by geopolitical events, particularly wars in the Middle East as in 1967 and 1973, global financial downturns like the 1997 Asian meltdown and the 2008 global financial collapse, or the oligopolistic decisions of cartels. This time there seem to be host of reasons for the softening of prices, such as the U.S. reaching near self-sufficiency due to the shale revolution, new oil producers coming to the export market, a lack of unanimity within OPEC, the discovery of new fossil fuel sources, and 'financialisation' of the oil market.



Rohinton P. Medhora

@RohintonMedhora Jun 14

CIGI's @RAKraemer on geopolitics of new energy. Clean, next wave energy comes with next wave geopolitics.

#GOID2016

7. Financial players with no interest in physical oil have been able to dictate the price of oil. Hedge funds, insurance companies, and high-net worth investors have become active in this sector, adding more players and more uncertainty to oil prices. In the last few decades, a variety of instruments that permit speculation in oil have been introduced in the form of futures, options, exchange traded funds, and derivatives. There have even been calls for policy intervention to limit financial participation. Whether financial players bring improvement in market efficiency or bring in more volatility, is a moot question. I think distinguished financial market expert, Shri Neelkanth Mishra, and the panel can ably debate the relative advantages and disadvantages of this.
8. Despite the growing prospects and cost-effectiveness of renewable energy, oil and gas will remain the predominant source of energy. The world of petrochemicals has emerged as an ever-expanding sector and is probably affecting the daily life of human beings more than what oil has done as a transportation fuel. Moreover, thanks to the massive surge in LNG and transnational gas pipelines, the role of natural gas in the energy baskets of many countries is going to increase. Natural gas will also act as a complement to renewable energy in many cases.

The point I am trying to make is that the energy market is changing fast. We are moving in a direction where there are a growing numbers of sellers, the role of cartels is diminishing, technology is opening new pathways, and for a change buyers have a role in price determination. The actors who have the capacity to alter the oil market are numerous now. The good thing is that we are in a better situation where the present price level looks like the 'new normal'.

India is geopolitically located in a neighbourhood which is rich in resources, but has several complexities. The Middle East and Iran are our next door maritime neighbours, but we have not been able to get advantages from this for several reasons. We are still struggling for short-distance gas pipelines from Turkmenistan despite having mutual willingness. We remain worried about geopolitical developments in the Middle East, Africa, Latin America, and elsewhere. While tension between Sudan and South Sudan is affecting our investment, we left our operations in many countries like Syria, Libya and Egypt due to the geopolitical disturbances there.

Low oil and gas prices have benefited countries like India by reducing the import bill significantly, and also reducing the cost of power, fertiliser, and other industrial outputs which are dependent on oil and gas. It has brought smiles to many faces in India.

The energy sector is an important pillar of our economic aspirations. As you are aware, India imports about 80% of its oil and 37% of its gas requirement. Last year alone India imported 202 mmt of crude. Although the per capita energy consumption of India is about one-third of the global average, we are already the world's fourth largest importer of oil and gas. And projections in the energy outlooks of OPEC, IEA, and BP forecast the energy consumption of India will increase. According to many forecasts, over 90% of growth in world energy consumption in the next 20 years will come from India and China alone.

Energy access is a fundamental requirement and the government, under Prime Minister Shri Narendra Modi, is committed to providing reliable and affordable energy to all segments of society. Access to energy is critical for sustaining our rapidly growing economy at over 7% per annum and to satisfy the ever-growing needs and aspirations of the people. In last two years we have successfully targeted subsidy in LPG in terms of who will get it and by giving directly into the bank account of the consumer. We are now beginning to implement the same in kerosene. The LPG network is going to get a massive boost in the coming three years with the PM's Ujjwala scheme under which 50 million new BPL households will be connected with subsidised LPG at a discounted price.

Petrol and diesel are deregulated products and the private sector has started to reopen their retail networks across India, bringing more choice for consumers. We are expanding our refining capacity to meet our domestic demand as well as to become an international hub for refined products.



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Why nuclear power for India? Till storage technology evolves, a permanent energy source ie coal/nuclear is essential.

@MhzMartha #GOID2016

I am sure most of you are familiar with the Gujarat story, where even villages and small business units are connected to piped natural gas. Gas forms 25% of the energy basket in Gujarat, which is higher than the international standard of 24%. We are serious about implementing the same model across India. We are also in the process of expanding the use of natural gas in the transportation segment. A robust network of LNG terminals is being planned on the east coast and a few additional terminals on the west coast. Our voluntary commitments in Paris during COP-21 also make it necessary to increase the volume of gas in our energy basket. There have been efforts to promote bio-fuels like ethanol and bio-diesel in a major way.

Honourable Prime Minister has set us a challenging target of reducing 10% of our oil and gas imports by 2022. We are, therefore, working hard to boost domestic exploration and production by modernising our infrastructure, introducing policy reforms and ease of doing business for both public and private sectors.



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Financing & regulatory infrastructure needs
to come up for renewables to flourish:

not just about access to innovation

@MhzMartha #GOID2016

India has recently launched 67 discovered small fields for which bidding will commence in mid-July. These were lying unmonitored for years. The government has also announced a Hydrocarbon Exploration and Licensing Policy (HELP) with most progressive features in it. Bids under this policy will be launched shortly.

To insulate India from the uncertainty of geopolitics and volatility we have diversified our imports of oil and gas from various sources. We source about 58% of our oil requirement from the Middle East and 20% each from Africa

and Latin America. We are also diversifying our gas sourcing. We have reformed the crude procurement process of oil PSUs, thereby saving huge amounts in the import bill.

Acquisition of assets of hydrocarbon has also been a priority. Our portfolio includes assets in 25 countries. Last month, ONGC Videsh acquired a 15% stake in the Vankor field in Russia. Our efforts at energy diplomacy are being spearheaded by the prime minister himself. The prime minister has visited almost all important oil and gas producing countries in past two years, including Saudi Arabia, Russia, Iran, Qatar, UAE, Turkmenistan, Kazakhstan, USA, Mexico, etc. He is scheduled to visit four African countries next month following the organisation of a highly successful India-Africa Forum Summit in October last year. He played a leading role in negotiations for asset acquisitions in Russia and LNG price revision with Qatar. I have myself made visits to countries like Saudi Arabia, Iran, Russia, Qatar, UAE, Turkmenistan, Nigeria, Mozambique, Colombia, Mexico, Vietnam, etc to shore up our energy security. We are also engaging in pipelines such as TAPI, which could supply us at least 40 mmscmd of gas, once operational.

I think I have shared my thoughts and it is time to hear our other panellists and then have a discussion. Thanks a lot and Jai Hind.

The Geopolitics of New Energy

Session Notes

Introduction and objectives

There is a shift in the geopolitics of energy from the oil-rich West Asian countries to the newly-producing developed countries, and a move from the physical markets to the commodity markets. How will these changes impact the trade and investments in global energy assets? What will be the impact of the financialisation of energy markets on price discovery, cross-border trading, and hedging?

This session at the Gateway of India Dialogue commenced with a keynote address by Dharmendra Pradhan, Minister of State, Petroleum and Natural Gas. In the discussion that followed, the panellists were Martha Crawford, executive director, Sustainable Development Solutions, R. Andreas Kraemer, senior fellow, Institute for Advanced Sustainability Studies, Potsdam and founder and director emeritus, Ecologic Institute, Berlin, and Eytan Sheshinski, professor emeritus, Hebrew University of Israel. Neelkanth Mishra, India equity strategist, Credit Suisse, moderated the discussion.



The main points they discussed were: growing investment in renewable energy, innovation in energy, making conventional energy more efficient, and the increasing clout of energy-consuming countries.

Key points

The fusion of technologies-physical, virtual and biotech-will pave the way for a fourth industrial revolution and geopolitical shifts. Innovations in energy technology combined with digital technologies will influence the future and change the way energy is produced and consumed. This will lead to smart grids, smart cars, and a shared economy or collaborative consumption. The changing source map of energy will bring with it a shift in geopolitics, where suppliers have less clout and buyers have more bargaining power.

Green energy will attract the maximum new investments globally. The green energy shift is now driven by economics, not politics. The cost of producing energy from renewable sources is falling, and this is driving fossil fuels out of the market in some geographies. Beyond pure innovation, a financing and regulatory infrastructure is now required for renewables to flourish.

Until renewables become the core of the new energy matrix, coal will continue to be the chief power generator for the world, and cleaner techniques for producing coal are being put into place.

India must explore nuclear energy and better reactor fuel options beyond uranium. India has been able to master the nuclear technology sector despite the global technology denial regime set up three decades ago. India has a large reserve of thorium, which creates the possibility of setting up a long-term, indigenous nuclear power programme.

The Gateway House view

India needs to use a mix of renewable energy, natural gas, and new generation nuclear reactors in order to move away from coal. However, these are long-term actions. The country has huge reserves of coal, and must therefore also develop and use clean coal technologies to reduce the negative impact of coal.

India is already meeting a greater share of its energy needs through renewables and it must work towards developing new generation thorium-fuelled reactors. This will help minimise the country's dependence on fossil fuel energy imports, which come from increasingly unstable regions. India must also pursue geographic diversification during this phase of low global energy prices, and acquire oil and gas fields in politically stable regions such as Russia, the U.S., and Canada.



Manjeet Kripalani

@ManjeetKrip Jun 14

#GOID2016 Minister Pradhan on oil:

Price volatility not new, guided by
geopol events, oligopolistic cartels,
lack of unanimity within OPEC

India must also push for a more transparent pricing mechanism in the global energy markets. One way to do this will be to create an Asian benchmark for oil, independent of current markers (types of oil) such as the Europe-based Brent and the U.S.-based WTI (West Texas Intermediate). This will help price oil as per the needs of its biggest customers-the Asian economies. And it could put an end to the 'Asian premium' paid by economies such as India, China, and Japan.

9. Cybersecurity and Terrorism

Evening Keynote

India's Minister of State for Home Affairs, Kiren Rijju, delivered the keynote during the Evening Dialogue on 'Cybersecurity and Terrorism' at the Gateway of India Dialogue in Mumbai in June 2016. He outlined the relationship between cyber security and terrorism, the counter-measures put in place by the government, and areas for improvement in the future

Kiren Rijju

The subject which we are going to discuss is so elaborate, and it is a very wide subject to think about and give your own opinion on, and if I start speaking about the notes which I have of what the Ministry of Home Affairs has been doing, then it will become too academic and I don't want to really make it into a reporting kind of a speech of what the government of India and Home Affairs ministry are doing.

But I would rather point out some of the issues, how we look at them and quickly understand how the government of India is trying to face the challenges with regard to terrorism and cyber security. You must be realising by now that the incidents which the world is witnessing, especially in the last decade, I personally feel that more and more voices coming around in the world are sounding like Indian voices.

What we used to say a few decades back about the threat of terrorism and the kind of response we used to get from our counterparts, we were never satisfied because we felt that our concerns were never understood.

Sometimes we also say that to understand the real issue you must feel it, merely knowing the subject or knowing the incident is not enough, you must be able to feel it. And in clear terms I should say that you must be inflicted with pain to really understand the subject and to really understand the real threat terrorism poses.

Now wherever we go, we have understandings with various countries at the multilateral level, bilateral level. Counter terrorism or the sharing of intelligence has become one of the very integral parts of our understanding with friendly countries.

It has become so integral to how we look at the world and when we talk about terrorism, cyber security has become so integral to understanding and to dealing with terrorism. Now presently we are facing these ISIS challenges, and many people put questions to the Home Ministry that how are you dealing with this threat, how much is India really facing the threat of ISIS, and India being a large Muslim-populated country, how should we handle the situation? And when we sit and analyse in the ministry and with various intelligence agencies I feel that there is nothing to worry about because Indian people have a strong character, which has developed because of our ethical behaviour.

Just to make a point, when some of the youth have left India to join ISIS in Syria and Levant and in those areas, it is the parents and it is the Muslim society at large—they have been instrumental in persuading them back into the mainstream. That means that the Indian society has a strong feeling that violence has no space in our country. This is despite the numerous challenges we are facing, because if you see the geopolitical location of India then India is in a very very critical location and our borders are very porous and it is not very easy. As a minister looking after border management, I always feel how to secure our borders—it's very difficult. The fact is we cannot have any kind of a border, physical barrier, or fencing with Nepal, we do not have it with Bhutan, we can't have it with Myanmar. The only two countries we are having this with is Bangladesh and Pakistan and



there too we know we have huge challenges; and with China we cannot have a border.

So as a country with as porous a border as ours, it is difficult to really comprehend how we are managing. But because of the character of the Indian society, we feel secured. We never-India abhors categorising religion and terrorism together, we never do that. That is why when we are moving in terms of taking steps for counter radicalisation, or for the de-radicalisation process, it is the senior citizens of society-they come and are the people who take a much active role. And we have been very successful.

Now to understand cyber security, just to sound a little bit academic, according to the Information Technology Act, cyber security means protecting information, equipment, devices, computers, computer resources, communication devices, and information stored therein from unauthorised access, use, disclosure, disruption, modification, or destruction. So this is a very precise definition we have in our statute book.

But if you see the challenges, today as a minister I can without any hesitation share with you that sometimes I become and I feel helpless because we do not have boundaries, crimes are committed, our youths are being influenced, our security areas are being breached, but because of the nature of cybercrime you cannot do anything.



aditya phatak

@owlbywindow Jun 14

@KirenRijju #GOID2016 past policies of keeping border area underdeveloped is a defeatist attitude @GatewayHouseIND

There are limitations and there are restrictions and I feel that our senior security officers, they try to handle the situation as professionally as possible as they want to, but we have limitations. That is why we are talking about collaboration, we are talking about working together. Every independent country on this planet must get together, otherwise how do you control cyber space? It is not merely a question of technology, it is much beyond.

And when I was thinking of speaking here, initially I thought I should make a very technical speech, I should come with a very prepared speech. But with 10 minutes in hand I thought rather I should just make very informal remarks and try to respond if we are to be put forward with some questions, I should appropriately respond to your queries. But just to let you know a few of the important steps which are there on our mind and what we are doing, the government of India:

We definitely have a policy with regards to our cyber security. We have already developed our national cyber security policy which is already in place. And right now we are considering a framework for enhancing the cyber security of Indian cyber spaces. And we have developed a multi-layered response in depth, so we have categorised it in three different compartments.

- The first is the NTRO (National Technical Research Organisation), which would be responsible for the protection of identified critical information infrastructure. It will be basically those infrastructures which are with the government.
- The second will be with the Ministry of Defence. So in the Ministry of Defence, primarily DRDO (Defence Research and Development Organisation) and the defence service, our MO External Affairs himself was a former army chief, so our army, our defence establishment, they have a very robust security system in place. They will be responsible for all defence-related cyber threats, vulnerability, detection, and mitigation processes.
- And the third we have kept with the department of information technology. They would be responsible for non-critical infrastructure and other critical information infrastructure which is not there with the NTRO. So that will be with the ministry and department of information technology.

So we have developed this structure and the Home Ministry, as a nodal ministry, we would be coordinating, we would be making efforts for better coordination between all different spheres. And besides that India has already developed strategies, and this strategy will have so many agencies together and the Home Ministry again will be the nodal ministry, so that every ministry or every organisation in the government, or to some with private entities also, we can have some kind of a seamless coordination. We can come together and make everything very robust so that we can respond to the call of the time.

And besides that, I would like to share with you this information about our data system. Now we are very much aware that this success story will depend on how much we share intelligence information with each organisation. We have MAC (Multi Agency Centre) at the national level, then we have MAC at the state level. So all our central intelligence agencies along with the state agencies, and we do have intelligence branches of various organisations also, we need to have a seamless body. So the NATGRID formula came, which most of you must be aware of. And we do get certain criticisms also, that we are not really taking forward NATGRID as it was envisaged in the beginning, when it was conceived.

I do admit that we should have progressed much faster. I also admit that we need to put in more resources. Because no matter how robust each system or each body is, unless we connect them with each other for a seamless sharing of information for proper coordination, we will never succeed, because the passing and sharing of information is so critical to secure all the systems in place, otherwise it will fail.

And we have learned a lot of lessons also. No need to mention about the incidents and those unfortunate occasions where we had to really look back at those faultlines.

Even the recent Pathankot incident, where there were huge discussions at the intellectual level also that how despite having proper intelligence inputs, in fact very precise intelligence inputs which were there, still the incident took place. So there are certain things that we do admit that we need to really get up and pull up our socks. But at the same time you all know, that it is such an area that every incident is different from the earlier one.

We really need to learn lessons from each incident. And as this conference is being organised by the Gateway of India Dialogue, initiated by the MEA, I feel that we have a very strong international presence here and it is a very appreciable job that the MEA have done and of course partnering with our Gateway House. And I was told that this conference was going to have a very robust discussion, it may be a small gathering, but it will be a getting together of the brains, which will be very useful in understanding the subject. So I was sure that I should come and spend some time with you.

So as I said at the beginning, I do not intend to really make a very professional and very structured delivery of speech, so I thought I should just come and make a few remarks, and then rather I should respond to the questions or the queries if you have any at the end of the discussion.

And Mumbai is really the gateway for many purposes, for many reasons, and to have this very important dialogue here in Mumbai is very meaningful also. And I am happy that I could come here and spend some time with you. And I would rather listen more, I put myself in a listening mode, rather than speaking out and talking much more than what I have just made-a few of my remarks. And I once again thank the organisers for inviting me to speak here.



Saikat Datta@saikatd Jun 14

We have created a multi-layered
Cybersecurity architecture.
NTRO for critical info infra &
DeITY for non-critical
[@KirenRijju](#) #GOID2016

Cybersecurity and Terrorism

Session Notes

Introduction and objectives

The conventional threats to international business investments and transnational financial market infrastructure have intensified and also moved into cyber-space. Protecting critical business infrastructure from state and non-state hackers and terrorist groups is becoming a priority.

At the Gateway of India Dialogue, this discussion was aimed at focusing on how governments and businesses can collaborate to design policies that can counter international security risks and cyber-warfare. The panel consisted of Narendra Karmarkar, author of the Karmarkar algorithm, Madan Oberoi, director, Cyber Innovation & Outreach, Interpol Global Complex for Innovation, and Zalmay Khalilzad, former U.S. ambassador to Iraq and Afghanistan. The session was moderated by Santosh Jha, joint secretary, Public Policy & Research and Cyber Security Issues, Ministry of External Affairs, India.

These were the main discussion points: The changing nature of cyber terrorism, the rise of the Islamic State, and geopolitical rivalry among Saudi Arabia, Iran, and Turkey

Key points

Cyber security is intertwined with terrorism. The infiniteness of the internet, especially of the 'dark net', has created an ecosystem ripe for crime and terror-related activities. The influence of social media and access to cyberspace is adding to the complexity and enabling lone-wolf terror attacks that are nearly impossible to detect or stop. A sleek propaganda machine ensures potential recruits indoctrinate themselves through the internet. Ransomware, a software formerly limited to individuals, has expanded its target to critical public services. Under cover of the dark net, arms deals are being conducted and financing terror through crypto-currencies has become the norm. The vulnerability of global financial infrastructure like stock exchanges to such cyber-attacks or 'economic terrorism' has become magnified.

Third party policing of cyberspace. Cyber crime is proliferating but under-reported because victims believe law-enforcement agencies are ill-equipped to help them. The private sector is filling that gap-a new industry of consultants is emerging who offer cyber investigations and counter cyber-attacks on suspected perpetrators. This raises questions about the legitimacy of such 'private justice'. But there is still no appetite among governments for a global framework on cyber security. Algorithms and infrastructure can be created to mitigate cyber terror, but need international cooperation.



Although terrorist groups have moved beyond being covert entities to open territorial operations like the Islamic State, we still lack a global counter-terrorism policy. The Islamic State has diverged from the previous modes of hit-and-run or sieges, and views itself as a state, with the territory and the trappings of a state. It has deftly exploited western interference and the geopolitical

rivalry in West Asia among Iran, Saudi Arabia, and Turkey to expand from Syria into Iraq. Despite regular attacks by terror groups across the world, countries seem to be reluctant to create a global framework to deal with this problem, inexplicably citing the lack of a common definition of "terror" or "terrorism." The absence of political will among nations has helped terror groups to achieve a greater degree of collaboration than the countries fighting them.

The Gateway House view

Terrorism has moved beyond being a national law-and-order problem to become a global challenge. But transnational cooperation to combat the threats of terrorist attacks remains a challenge. This concerted effort is subject to geopolitical considerations like each country's perception of terrorism, territorial ambitions, and tacit support to terrorist groups.

The United Nations and other agencies must expeditiously adopt the Comprehensive Convention on International Terrorism and evolve global cooperation against terrorism.

At the same time, India, along with like-minded countries like the U.S. and Israel-which recognise terrorism as a clear danger and pursue active deterrent policies-must take steps to choke the funding of terrorist groups by systematically using alerts and international security agencies like Interpol, along with domestic treasury departments and banks. Governments can draw in a wider set of stakeholders by using domestic civil society to counter the terrorists' use of social media, and implement de-radicalisation strategies.



Gateway House ICGR
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Without proper coordination and
seamless information-sharing, we
cannot fully guard against
cyberattacks & terrorism
@KirenRijju #GOID2016

Closing Keynote

India's Minister of State for External Affairs, General (retd.) V.K. Singh, delivered the Closing Keynote address at India's first Gateway of India Dialogue in Mumbai in June 2016. In his speech, he covered a wide arc, including India's changing geopolitical position and the role the country seeks to play in the world in order to achieve its goals

Gen. (Retd.) V.K. Singh

I am delighted to be here to address this gathering. Let me first of all thank the strategic thinkers, thought-trenders, business leaders, mediapersons from our extended neighbourhood, major economies and G20 countries who have participated in this first edition of the Gateway of India Dialogue earlier today. I have been told that discussions were wide-ranging, of very high quality, and offered several new insights.

Earlier, in March this year, we had successfully co-hosted the first edition of the annual 'Raisina Dialogue' with a focus on geostrategic and geopolitical issues in New Delhi. The Gateway of India Dialogue provides yet another similar forum with a focus on geoeconomic issues. There cannot be any doubt of the importance of the theme of this conference, which is 'Where Geopolitics Meets Business'. This is especially so as we are undergoing a transition in India where the government is committed to making projection of its commercial and economic interests a centrepiece of its foreign policy.

Today, I have been asked to share my thoughts on 'India's Global Engagement Strategy-Greater Energy, Growing Aspirations'. Let me endeavour to provide the broad contours of our foreign policy and its major thrust areas.

Before I dwell on the foreign policy, let me first briefly touch on the internal developments and the changing global situation which create the new context for the foreign policy of India. Last month, our government completed two years in office after having been voted to power with a resounding majority, a thing that had not happened in three decades. The people's verdict was an aspirational one-for change and for good and effective governance. The prime minister, immediately after taking office, embarked on an ambitious programme for India's economic transformation. The flagship initiatives of the government such as the 'Make in India', 'Digital India', 'Skill India', 'Clean Ganga', 'Smart Cities', 'Start-up India', the emphasis on clean energy and the priority accorded to infrastructure development in roads, railways, and ports-all of these reflect a new commitment to meet these aspirations for growth and development.

Another occurrence, which is not unrelated to the first, is that we have a changing perception of India worldwide. We are now the fastest growing major economy. Our demographic trend puts us in a "sweet spot" so to say over the next two decades that will be critical in sustaining the momentum. The fact that we have now an energetic and more decisive leadership and a government committed to transformative change has shone a positive light on India in an otherwise difficult global environment.

So while we reach out to the world in a pro-active, responsible, and constructive way to deliver on our development goals, our foreign partners have shown inclination to respond positively, even going beyond the transactional pluses of the attractiveness of the Indian economy. They have come to see strengthening the Indian economy and partaking of the mutual benefit that it entails as one which is in keeping with their strategic interest. This has been part of our diplomatic effort to bring this new kind of convergence and to enable such an approach.

Distinguished guests, in the last 24 months, most observers will agree that the government has unveiled a new pace and quality for our global diplomatic engagement. This is reflected not just in our interactions with our traditional partners, but it is also manifest in the way we have covered new ground extending our outreach to new regions, and addressed time gaps that have characterised our interaction with several of our partners-be it in our immediate neighbourhood or in Central and West Asia, or in the wider Indo-Pacific region.

Our approach has also been to look at entire regions as a whole and to engage countries within these not as isolated relationships but taking into account complementarities among them. We hosted the largest-ever

gathering of Africa's heads of states/ heads of governments in India during the third India-Africa Summit in October last year. The prime minister's integrated tours to Central Asia, to East Asia, to Indian Ocean Island countries, and the holding of the India-Pacific Island Countries Forum in India last year are other examples. The energetic outreach is also visible in our initiatives to have India emerge as the meeting and projection point of ideas and thoughts for the best minds. Our useful discussions here are part of this.

Going beyond, it goes without saying that the primary focus of our foreign policy has to be our neighbourhood, which is our immediate periphery. Both our security and prosperity are closely interlinked and interdependent with this region. Our articulation of a "neighbourhood first" policy has led to significant progress in each of our relationships in the region. We have imparted a new vision to relationships in the region, which entails routinised exchanges, greater connectivity, and stronger economic exchanges. It also involves leveraging our common civilisational heritage to build a relaxed relationship, closer contacts, and deeper connect within the region.

Our approach has been essentially consultative, non-reciprocal, and outcome-oriented-that ties in with our security interests. The mantra is of "shared prosperity through connectivity." We are willing to take the initiative and drive the process, overcome temporary difficulties and forge ahead. This also brings to bear a new mindset, not only in bilateral relations, but also to regional cooperation. Where SAARC works, we are happy to move forward within the SAARC framework; and on issues that see scant progress there, we are open to working with willing partners at a sub-regional level. The Bangladesh-Bhutan-India-Nepal or the BBIN arrangement is an example.

The inclination to look for opportunities abroad rather than focus only on threats also imparts a new confidence in our engagement with major powers. With the U.S., India's relationship has acquired a new quality and character in recent times. The recent visit of the prime minister to the U.S. earlier this month, or the participation of President Obama as the chief guest at the 2015 Republic Day celebrations, reflect the deepening of this relationship. Breaking new ground in our defence relationship and creating new frameworks for cooperation on issues such as cyber security and climate change demonstrate a new maturity in our relationship.

With Russia, the traditional strategic sectors of engagement-defence, space, nuclear energy-have seen healthy progress, while efforts to add a significant new "economic pillar" to our strategic partnership through mutual investments, promoting better market access, and expanding tourism and people-to-people ties, have intensified following exchanges between President Putin and our prime minister.

With China, Indian policy has been recalibrated to focus on deepening and widening economic engagement with China, in particular in areas such as infrastructure and investments, while continuing to engage on the outstanding issues between us. Our 'Act East' policy with emphasis on implementation and operationalisation, our cooperation with Australia and Japan on nuclear and security issues, and our continuing engagements with our strategic partners in Europe, are all part of our new emphasis of leveraging foreign policy for addressing our security imperatives and advancing our domestic transformation.

Given the strategically complex environment we inhabit and the various traditional and non-traditional threats that we face, it is natural that our foreign policy should seek to engender a landscape which ensures the security of our people and keeps us focused on our fundamental objective of progress and prosperity. This will remain an enduring challenge even as they also present opportunities for expanding our role in the wider region and the world at large.

We have shown commitment to creating shared stakes in security and prosperity in our immediate periphery by demonstrating our readiness to tackle difficult issues like the land and maritime boundary



problem with Bangladesh. Our efforts among the Indian Ocean littoral states to build security networks through collaboration on coastal surveillance, sharing of white shipping information, and cooperation in fighting non-traditional threats like marine piracy, smuggling, and organised crime are also part of this strategy. Our 'Act East' policy with emphasis on connectivity and economic integration similarly is aimed at linking security to economic prosperity in our extended neighbourhood to the east. Our recent overtures with West and Central Asia are likewise predicated on building bridges based on similar stakes in stability and prosperity, and helps deal with traditional challenges to our security and connectivity on our western flank.

We have also demonstrated willingness and ability to step up to the task of being a provider of security in our immediate and extended neighbourhood as reflected in our new emphasis on HADR (Humanitarian Assistance and Disaster Relief). India is creating standing capacity to respond to natural or manmade emergencies and increasingly showing the characteristics of a public-goods provider in this sphere. Assistance to Nepal during the disastrous earthquake or supply of water to Maldives or the recent assistance rendered to Sri Lanka following floods and landslides demonstrated our willingness to make available our capabilities to our partners in times of distress. The exemplary role played by our defence forces in coordination with the MEA in these challenging situations, as also in the evacuations of our citizens in distress, along with several foreign nationals from Yemen and Libya, are examples of our commitment in this regard.

The role of a responsible power and a public goods provider involves strengthening of the global order by emphatic espousal, reiteration, and abiding by the global "rules of the game." It is in this context that we must interpret India's articulations in favour of freedom of navigation and peaceful resolution of disputes in the Indo-Pacific theatre, for example. As we continue to grow, we will increasingly be called upon to take a stance in support of norms of behaviour that further stability and predictability for all. On present indications, we are looking at an India that will be willing to take these calls in a responsible and responsive manner, including in working with partners in ASEAN to build a new security architecture within Asia.

Ladies and gentlemen, you will agree that the most important security threat confronting us is that of terrorism emanating from across our borders. Our efforts at building an international consensus on fighting terrorism and extremism are a work in progress. Terrorism is a disruptor of stability and progress in our region



Vikas Swarup

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MoS @Gen_VKSingh : We have increasingly made foreign policy a tool to assist with our domestic economic transformation. #GOID2016

and beyond. In recent times, we have seen terror groups evolve in malignly dangerous ways, first by expanding to acquire global reach and ambitions, and then by spreading into even more dangerous dispersed networks of loosely affiliated cells spanning countries and continents, and even acquiring the trappings of a state seeking the loyalty of not only its own residents but of a global fraternity of faithful. Much of this has been enabled or encouraged by the support, sponsorship or wilful connivance of some or the other nation state seeking to advance some short-term tactical benefit.

Our approach has been to seek a global legal regime that treats this problem in a unified and integrated manner by holding nation states accountable for their actions or inactions in support of terror. Our two decade-old proposal for a Comprehensive Convention on International Terrorism is probably the best way forward in this regard. But in the interim we continue to seek convergences with key countries to isolate the space for terror elements and to deny them the territory from where they seem to take roots and flourish.

A word about the new emphasis on economic diplomacy is a must for this gathering. I believe that this was the subject of foreign secretary's address to you yesterday at the inaugural session. So let me say in brief that projecting India's economic interests has acquired a new profile in recent years as also our emphasis in making foreign policy increasingly a tool to assist with our domestic economic transformation.

Indeed, in the last two years we have seen a much closer alignment between our foreign policy and domestic objectives, and a clearer recognition that diplomacy is above all an enabler of domestic growth. This, of course, has been aided by the enunciation of domestic development objectives into concrete flagship programmes, which in turn have made identification of bilateral partners easier. Indeed, in recent years, these

flagship programmes have become not only subjects of bilateral discussions among our leaders, but have also increasingly featured as concrete outcomes emerging through these high-level interactions.

Related to this new emphasis on economic diplomacy has been the new federal factor in Indian foreign policy. Looking at states in India as an integral part of our foreign policy strategy and using their energies and contribution to strengthen the punch of our foreign policy in its economic dimension is clearly an innovation that traces its origins to the prime minister and his experience as chief minister of Gujarat over a decade. This is the new cooperative and competitive federalism that prime minister has advocated to make Indian states equal stakeholders in his efforts to implement economic reforms and to improve business conditions in India. They are part of the overall forward policy on trade and investment, and of improving the ease of doing business in India.

One of the thrust areas of our diplomacy which has a particular resonance for me, given my background as chief of the Indian Army, has been the emphasis on defence manufacturing as part of 'Make in India'. Prioritising indigenous manufacturing of defence platforms in India in the last two years has received a significant boost. The government has taken several steps to promote defence manufacturing in India, including raising the FDI cap for the defence sector to 49% with a provision for further increase if access to state-of-art-technology is being provided.

It has also announced a new Defence Procurement Procedure in March 2016 with a focus on 'indigenously designed, developed, and manufactured' (IDDM). It has drawn up a list of defence items requiring industrial licensing and established security procedures for licensed defence industries. Ministry of Defence figures estimate that India is likely to spend around \$130 billion on defence modernisation in the coming seven years. This makes India one of the largest defence markets in the world.

It is in this context that the government has worked with partners in countries like Russia, U.S., and France, and energised its efforts to look for new commitments by their companies to set up joint ventures with Indian counterparts in the area of defence manufacturing. The India-US Defence Technology and Trade Initiative (DTTI) is a notable instrument, and progress made on four pathfinder projects under this framework has been progressed further by adding two new pathfinder projects to its portfolio in April 2016. India and U.S. have also activated joint working groups to explore design and development of aircraft carrier technology and jet engine technology. Discussions with our traditional defence partner Russia have been progressed on the development and manufacture of different platforms and setting up arrangements for long-term supply of defence spares for 'making in India'.

In 2015, in a significant development, an enabling defence agreement opened new avenues for transfer of defence equipment and technology from Japan to India. The results of all these efforts have led to several new proposals for joint ventures between Indian companies with counterparts in Russia, USA, France, Spain, and the Netherlands involving leading companies from these countries and India. The industry leaders present here must, therefore, look at these new opportunities and use them in advancing both Indian interests and their own business profile.

Moving to softer issues, I must acknowledge that a new area of our focus has been the projection of the philosophical and creative traditions of India. The impact of India's traditional wisdom and influence can be seen in the cultural landscape of many countries, not just in Asia but also beyond it. Our effort has been to build on these to forge closer bonds among the countries with shared traditions.

This has been demonstrated in innovative initiatives such as the success in getting 21 June declared as International Day of Yoga in the United Nations. We are also focusing on India's Buddhist heritage to reach out to large sections of the populations of East and Southeast Asia. We are also reaching out to countries in the Persian Gulf and the east coast of Africa by recalling the cultural and commercial connections established along the spice routes that spanned the Arabian Sea and the Indian Ocean. Celebrating the reach and appeal of Sanskrit and Hindi, not just among people of Indian origin but also among Indophiles and Indologists in



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The world now shares our view that
there are no 'good' terrorists;
those who ride the tiger will
be devoured by it.

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Europe and other parts, has also figured in this broader push for re-establishing soft connections. Our contribution to the First World War even when we were not an independent nation provides another example. This has to be seen with ongoing contribution to the UN peacekeeping efforts around the world.

Distinguished guests, ladies and gentlemen, as this Dialogue comes to an end, let me thank all of you for your participation. We value your participation and views. And we are certain that deliberations during this dialogue have benefitted all of us. I look forward to your participation for the next year's event as well.

Thank You.

