

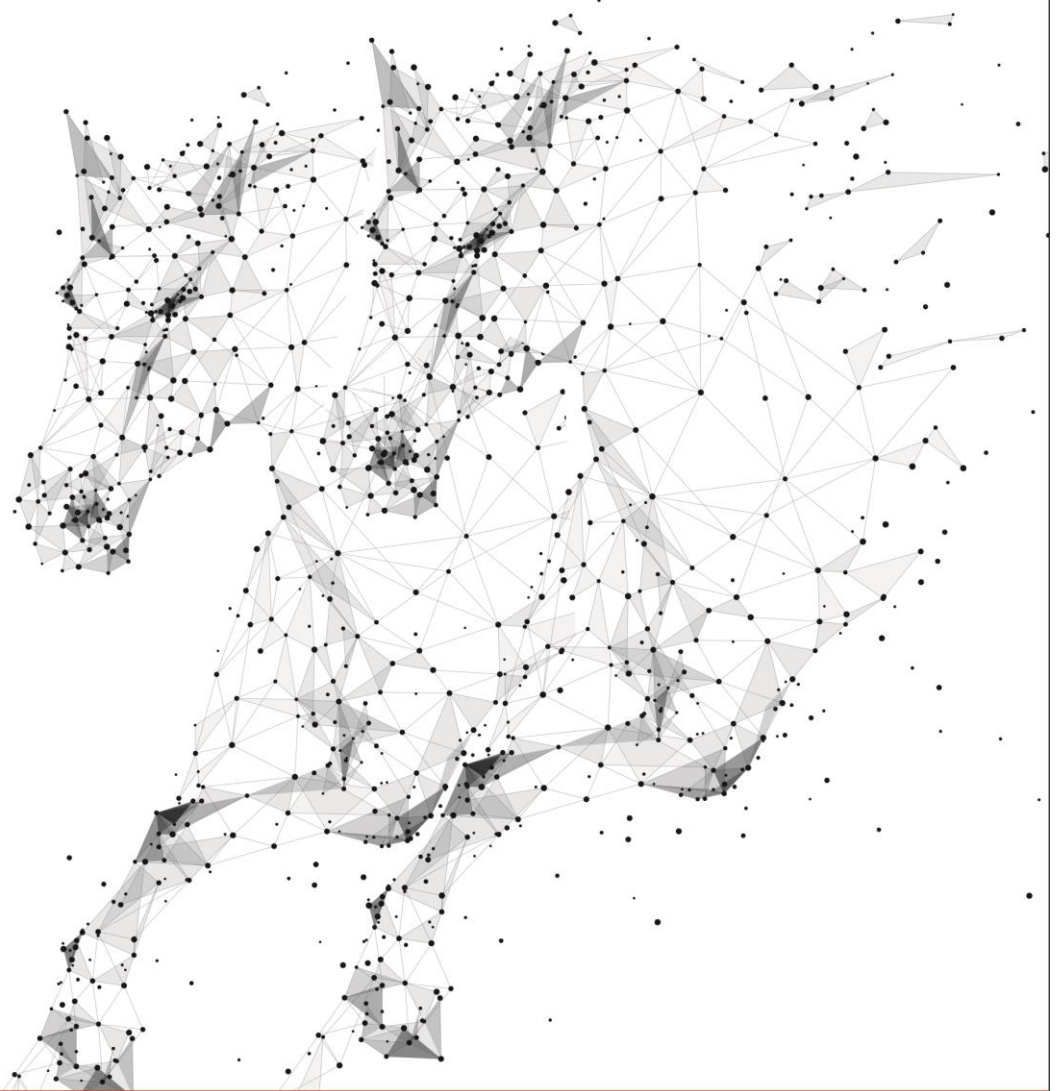


Insight beyond information

LEADING CHANGE

THE 21st ANNUAL CEO ROUNDTABLE

7-10 DECEMBER 2017 * BHUTAN



Conclusions Paper

Conclusions Paper

IMA India's 21st Annual CEO Roundtable

7-10 December * Bhutan

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About IMA India

IMA India is an Asia-focused economic research think tank that provides enterprise with strategic research, business intelligence and market insights together with independent advice on various aspects of the operating environment. The firm offers four broad service lines built around the objective of delivering authentic, analytical and practical insights to industry leadership – Peer Group Forums, Research and Advisory, Business Meetings and Conferences, and Publications.

Peer Group Forums

Through two membership-based executive briefing services, *The India CEO Forum* and *The India CFO Forum*, IMA India provides incisive country intelligence and pragmatic business solutions to over 1,800 discrete member companies, and over 2,500 top executives. **The India CEO Forum**, with over 800 member corporations, is designed specifically for chief executives of large Indian and multinational corporations in India. A top-level business information service, the Forum assists industry leadership in crafting strategy through informed peer debate and access to independent and research based insight on the wider operating environment. With similar aims, **The India CFO Forum** also has over 800 member companies. The programme is intended to provide a platform for senior finance professionals in India, which can offer an opportunity to share experiences and evolve the optimal way forward to cope in a rapidly transforming business environment.

The Forums are designed to address the need for an ongoing evaluation of India within a global and an Asian context; the need for off-the-record discussions between industry and senior policy and decision makers in India; the need to identify, understand and manage current and potential issues, both at a government and business operating level; the need to exchange information and opinions with peers on the business operating climate and to hear how other companies are managing critical issues.

Key features of the programmes include briefing sessions with policy makers or industry leaders in an interactive, closed-door environment; ongoing updates on developments in the economy and politics interpreted for their impact on businesses; the provision of unbiased and research-based opinion on subjects of relevance to the nation at large, and industry in specific; customised executive briefings and access to IMA data archives for quick answers to specific queries.

Furthering its mandate as the premier provider of business information and peer platforms for top management, IMA India also hosts three other key function specific services - **The Chief Human Resource Officers' Forum** in 2009 and **The India CMO Forum** in 2011. The programmes are meant for each respective function head within corporations in recognition of the key roles being played by them individually and as a collective, in the area of business performance and strategy on the one hand and functional excellence on the other. Through the medium of closed-door briefings on strategic issues, IMA's HR Forum brings together over 300 member corporations, and the CMO Forum a 120 member companies.

Research and Advisory Services

In an environment characterised by fragmented and unreliable data, infinite renderings of 'popular research' and conventional analytical frameworks, IMA India's research practice cuts through the bewildering maze to deliver honest, incisive and practically oriented research for its clients. Our strength lies not in reinventing the wheel of data generation or market research, but in adding value from a strategy standpoint. While our in-house research and knowledge archives can bring us to 'par' in any area of research, our unique authentication and data qualification methodology gives us an immediate edge vis-à-vis conventional research. Our 'expert pool' – which comprises of several hundred practising managers, analysts, commentators and decision makers – far exceeds the in-house sectoral expertise that any single firm can cultivate. This enables us to offer a unique value

proposition – a blend of intelligent desk research and methodical insight-gathering from domain specialists – to serve the strategic needs of each client.

We believe that good strategy demands good research – and that’s what we strive for. We call it *‘research for strategy’*.

Business Meetings and Conferences

Conferences and Roundtables are a natural extension in an overall effort aimed at discovering new business insight and ideas. IMA India regularly hosts business meetings on a fully stand-alone, independent basis for senior business executives. Our conference initiatives are driven by intensely researched agendas, a carefully selected audience and authoritative speakers and panellists. Each year, IMA hosts 6-8 Annual Roundtables – dedicated to CEOs, functional heads (CFOs, HR Directors), or bring to the centre-stage critical factors impacting business.

Delegates say that our meetings provide an opportunity to network and exchange information with a senior and informed peer group; authoritative presentations, constructive debate, diverse opinions and in-depth discussions make these meetings a ‘high-learning and valuable experience’.

Publications

In its ongoing endeavour to provide thought leadership to top management, IMA India launched CFO Connect – a first of its kind journal focusing on corporate strategy and finance meant for CFOs and other top managers in 2006. CFO Connect addresses CFOs in their capacity as integral members of top management with focussed responsibilities for the finance function. It offers concise and informed analysis on the operating environment, together with well-researched, thought-provoking and incisive writing on matters of finance, corporate strategy and leadership.

CFO Connect leverages IMA India’s extensive experience in servicing the information and management needs of CFOs operating in India. This experience is reflected in the articles, analysis and content selection of CFO Connect.

The India CFO Awards™

Eleven years ago, IMA India instituted The India CFO Awards™ to complete its suite of offerings for the Finance community. Adjudged by a completely independent and authoritative jury, The India CFO Awards™ are an annual initiative to recognise and reward financial excellence. They are considered the country’s pre-eminent awards for CFOs by the finance community.

Thursday, December 7, 2017

Registration and Coffee

6.15 pm

At the Sir Ugyen Dorji Hall, Taj Tashi

Raise a toast to the coming weekend – and commitment to leading growth in volatility – in the company of peers and friends from across the country.

Signs of the Times: Joining the Dots in a New Phase of Growth

6.30 pm – 8.00 pm

Adit Jain, Chairman and Editorial Director, IMA India

Over the past few months, the global environment has both challenged and comforted. The rise of nationalism personified in the Trump administration in the United States and Brexit in the United Kingdom have been tempered with moderation and libertarian values in France. Whilst the global economy is chugging along, risks remain. In India too, there are challenges specifically on account of a stressed banking system and weak investment. Business managers need to be cognisant of challenges but also crucially, of emergent opportunities that will present themselves over the coming 18-24 months.

In his opening remarks, **Adit Jain**, among India's most incisive economic commentators, will pick a series of trends both global and domestic to provide a commentary on economic and business issues. In his characteristic, prescient style, he will attempt to knit together emerging scenarios that will impact the operating and business environment.

Cocktails and Dinner

8.00 pm

Winter in the Himalayas is breathtaking – join the opening dinner of the Roundtable amidst twinkling lights and roaring log fires to remember anew amongst friends and well wishers that all said, life is good.

Friday, December 8, 2017

Skilling and Entrepreneurship: Re-imagining India

8.30 am – 9.45 am

Dr KP Krishnan, Secretary, Ministry of Skills and Entrepreneurship, Government of India

India's greatest opportunity, and its biggest potential *bête noire*, is its population. With average job creation hovering at 3-4 million for the last few years against a needed pace of 12 million, jobless growth is a reality. Millions come into our workforces each year; too few find work and even those that do in white-collar sectors like IT, now face change as technology acceleration changes the rules of the game. This is not just conference talk. If India does not create the jobs, or even more, does not right fit available talent to needed skills, the social challenges facing our country, and the individual reality of too little opportunity, can be crippling.

KP Krishnan is one of the Indian government's most thinking minds in finance and economics. Today, he is fittingly leading the charge on the creation of skills at one level, and that magical eco-system called entrepreneurship at the other. The ask is complex – it involves training and skilling hundreds of millions of young Indians at one level almost in a race against time – but it also demands a longer term vision that encompasses all stakeholders – governments, industry, education, regulators, politicians – and people. Is skilling a vote bank issue? Can it be made one? Where is the money for this? How does industry create self-sustaining business models? How do you fit people to jobs? Or must jobs now be fitted to people? How will India respond to this unique two-sided coin? What are the risks of not doing so and where lie some solutions that will deliver change in the next few years? Engage with Dr Krishnan as he talks through a key government agenda, outlining both plans, and hopes.

Change of hats

9.45 am – 10.00 am

GST

10.00 am – 11.00 am

Harishanker Subramanian, National Tax Leader, EY

The most definitive reform of the current century in India is the introduction – finally – of the GST. The government is committed to its success, cognisant of the challenge this massive transformation is posing to India's vast small and medium enterprise eco-system, but clear about the long-term gains of one common, national market. GST has been a complex task wherever it has been introduced. In federal India, that complexity is multiplied manifold, given the need to balance demands of state governments, the centre, and industry. The fact that almost all changes undertaken by the government in recent weeks to simplify and ease GST applicability to industry have been unanimously approved by the diversified GST Council reflects the seriousness of intent.

For industry, the change to a new tax regime is not just an issue for Finance offices, but relates directly to strategy. At one end lie regulations such as anti-profiteering and at the other, the question of re-organising supply chains, warehousing and logistics, or indeed, reviewing the end of tax-based incentives including in SEZs etc. For services firms, the move will need a change as much in mindset as in actual operations.

Harishanker Subramanian is amongst India's most considered minds on GST. His engagement with government at one end, and with the country's leading corporations at the other gives him a holistic perspective that is quite unique. Three years ago, Hari spoke to our CEO Roundtable. That conversation remains amongst the most lucid future view of the GST. Join Hari as he talks through prospective policy and resultant operating priorities and business models that Indian industry will work through in the next two years.

Coffee

11.00 am – 11.20 am

Because Passion Defines Life

11.20 am – 12.15 pm

Divyanshu Ganatra, Founder, Adventure Beyond Barriers

Clinical psychologist by profession, trekker by passion, advocate for disability rights, founder of Adventure Beyond Barriers, which promotes inclusive and outdoor sports for people with and without disability, Divyanshu Ganatra went blind with glaucoma when he was 18. To not be able to see a world you have known only by sight, to try to see it anew without sight, to fight for qualifications in psychology and then in IT when the world pushes menial work at you, to be able to think on behalf of millions of other disabled when you can justifiably wallow in the mammoth proportions of your own tragedy – all this takes a very special person.

Divyanshu Ganatra is most special. Almost struck down by tuberculosis at 21, he is India's first blind para glider. His life is defined by empathy for others, it is defined by a unique ability to dream, it is defined by finding the good in so much that is not, it is defined by the fact that only your own passion can define your limitations and boundaries. Join Divyanshu as he views his life, offers up his approach and in that process, gain insight perhaps, into yours.

Brunch

12.15 pm – 1.00 pm

The Kingdom of the Thunder Dragon – a visit to Dochula

1.00 pm – 4.45 pm

Bhutan, home to the world's happiest people, is in equal part myth and reality, cloud and sunshine, lofty heights and intense spiritual depth. The Forum will go to Dochula – one of the world's most striking mountain passes built in the memory of Bhutanese soldiers who lost their lives in 'Operation All Clear' against Indian rebels in 2003. Quiet pristine, blessed, with a panoramic view. It is a beautiful country and although we have less than three days in hand, even these few hours should build lasting memories of time spent in a land with whom India has deep linkages and by whose side we have elected to stand. Return back home via Terma Linca for tea by the flowing Thimphuchu.

Beyond Demonetisation and GST: India in the Medium Term

5.15 pm – 6.30 pm

Swaminathan Anklesaria Aiyar, Journalist, Columnist, Author

The Indian economy's growth paradigm in the here and now is in the 6.5% range. GST and demonetisation, for all the gains they bring in the medium term, will cause a drag on growth in the immediate fiscal. It is time, however, to look beyond this, to the opportunities and risks that will create the eventual level of India's growth over the next five years. Some of these are structural others more topical, some domestic, yet others global. **Swaminathan Aiyar's** perspective has informed our view on the Indian economy and its drivers for a number of decades. Swami's ability to join the dots, to find the unseen in the most obvious of paradigms, to cut to the chase and identify the real drivers of economic growth, is unique, his perspective based on years of observation and engagement with India's decision makers. Engage with Swami as he offers his opinion on the Indian economy's potential – and its achievement.

Change of Hats

6.30 pm – 6.45 pm

Being World's Best

6.45 pm – 8.00 pm

In conversation with Jonty Rhodes, Cricketer, Coach – at Terma Linca

Jonty Rhodes is arguably one of the greatest cricketers of our time. A true sportsman, Jonty has represented his country, South Africa, in hockey, but is best known as the live wire of South Africa's amazing national cricket team for over a decade. Jonty's fielding ability has defied most critics, and gravity. His prowess as a batter is also formidable but it is the fielding that reflects some of the finest attributes achievers can hope for – the ability to never say die, to aim to achieve the impossible, to sustain an energy level that will carry teams and matches to victory. Today, Jonty coaches the Mumbai Indians; a continuation in many ways, of his love for India against whom he played his first ever international match.

What makes a cricketer great? What has driven someone like Jonty to levels of achievement that a decade after his retirement, continues to inspire legions of young sportsmen? Join Jonty on a wonderful journey as he talks through what it has meant to be among cricket's golden boys, what it takes to be part of a team with the ambition for collective wins and never individual glory, and what it to be, quite simply, world's best.

Cocktails and Dinner

8.00 pm

At Taj Tashi

Saturday, December 9, 2017

The Dechen Phodrang Monastery: Wrapped in Timelessness

6.20 am – 7.45 am

The Dechen Phodrang monastery sits high above Thimphu and is home to a generation of monks, who are being guided into the Buddhist way of life at this 'gurukul'. They recite their prayers as energetically as they play football. Visit the monastery has value on a number of counts – the first to see how simple and focused lives in prayer are, and how this monastery, simple and ancient, is thriving. It is not about being away from the world. It is about being true to your soul and to the universe while remaining a part of this world. The second is to get a view of Thimphu valley and the third, is to be blessed. Join the monks in prayer as the head lama guides our group to light a thousand lamps. The number 108 is auspicious in Buddhism, as in many other religions. After that, the number jumps to a 1000. And so it was only fitting that our CFO group lights a 1000 lamps together, literally, and metaphorically.

India's Place in the League of Nations: Transforming Paradigms

9.30 am – 10.30 am

Kanwal Sibal, Former Foreign Secretary, Government of India

India's place in the International League of Nations has evolved far more categorically under the NDA government. The recent standoff against China in Doklam reflected two things in the very least – the first is a far more assertive India with ramifications for its neighbours including Bhutan, to whose aid India chose to come, though also on account of how strategic the Doklam valley is to India and access to it from the East. The second is the reality of a bristling China and the challenges posed to the region as both nations rise to their aspirations in the next ten years. Additionally, a China: Pakistan alliance is categorical and again, that has severe implications for India, as does China's wider spread across the region through infrastructure projects such as OBOR.

In the West, an America under President Donald Trump signals change in many ways. Whilst the overall administration is likely to be favourably disposed to India, a US in stages of convulsion as it is must be understood afresh for the change it might bode in the years ahead. Indian businesses are re-assessing the US as an investment destination; sectors like IT and pharma most of all. Equally, there are enough grounds for disagreement – climate change and international trade rules are two as are the US' unilateral decisions on countries such as Iran with whom India has had ties for centuries

Kanwal Sibal has been India's envoy to Russia, Egypt and France and Deputy Chief of Mission, Embassy of India in Washington. Former Member of the National Security Advisory Board and Foreign Secretary, Gain the insight of one of India's most distinguished career diplomats who has represented India in many countries that are important players in India's geo-political and economic future.

Change of Hats

10.30 am – 10.45 am

Leadership: Perennial Realities, Newer Truths

10.45 am – 12.00 noon

Hema Ravichandar, Strategic HR Advisor

Leadership. We discuss it all the time; we introspect on it even more often, on our own approach as we lead teams and organisations, and hope to do so in ways that inspire, in ways that create new growth paradigms, in ways that build *other* leaders after us. That will never change. But today, as talent paradigms and expectations transform, as new generations of workforces come into our fold, as volatility continues to hallmark the external environment, how we will lead must also change. The challenges will differ, and our approaches to the same must also be more nuanced. The stakeholder ambit is wider than ever before, inspirational – and effective – leadership the need of the hour.

Hema Ravichandar is among India's most considered proponents of talent stewardship. Responsible for building the iconic talent paradigm of Infosys two decades ago, key to the talent agenda today of some of India's leading firms, and guide to Chief Executives as Member of some of the most forward-thinking Boards, Hema's perspective on effective leadership is amongst the most thought provoking. Not because of her knowledge and ability to gauge trends, but equally so, because of her empathy, and her care. Hema thinks of talent as a strategic agenda as few others can. Engage with her as she offers you a mirror of the ideal versus the real, of the inspirational and the effective.

Coffee

12.00 noon – 12.30 pm

A Conflicted World: Recasting the Future

12.30 pm – 1.45 pm

Dexter Filkins, Pulitzer Prize winner, Author, The Forever War, War Correspondent Time, Columnist, The New Yorker

To understand the world in the 21st century, one must understand the thirty years that have preceded it. And those thirty years have been those of tremendous opportunity as technology in sectors as diverse as energy on one hand and artificial intelligence at the other has started to transform our way of being. But these thirty years have also been intensely fractious, fraught with war and a world turning upon itself. Little typifies this today more than the Middle East and Central Asia, but it is also typified by every country becoming more insular, and every country arming itself further. For most of us, war is still an academic possibility; the world has more deterrents, we feel, to ever allow anything to get out of hand.

Dexter Filkins is among those rare individuals, who has lived another reality – who has gone in to report to the world – on developments in countries that are being torn apart by war. His perspective on the global security challenge of the world is based on years of reporting in Afghanistan, a most special country doomed with ill luck, and other parts of the world where victory and annihilation, courage and cowardice, huge military fire power and individual nationalism all face off against each other.

Pulitzer Prize winner for his book *The Forever War*, Dexter has been fearless in his reporting and categorical in his opinions on what nations, armies and people should have done, could have done and now, must do. Join him in a striking conversation that presents you a new lens of looking at the world we live in, in order to imagine the world we are going in to.

Luncheon – in the lawns

1.45 pm – 2.30 pm

Thimphu: Tradition and Modernity in Harmony

2.30 pm – 4.30 pm

Enjoy an afternoon in the wonderful town of Thimphu, visiting the unique *Tashichho Dzong*, the home of Thimphu's administration, where both government offices and temples sit together in harmony. Thimphu is a bustling little town and if you wish, you could also take a stroll down its lanes, to arrive back at the Dzong's parking no later than 4.15 pm

Love Letters: A Rage Productions Performance Presented by IMA

6.30 pm

Supper Theatre, followed by dinner, please be seated by 6.30 pm

AR Gurney's play *Love Letters* is amongst the most enduring theatrical performances. In India it has seen translation into Hindi in the play *Tumhari Amrita* as also in Kannada. It is the story of two people, who love each other intensely, cannot be together but remain bound in heart and spirit through an exchange of letters spanning four decades. Spend a wonderful evening of theatre in an especially curated reading of *Love Letters* enacted by the inimitable Shernaz Patel and Rajit Kapoor, as they take you through a gamut of emotions their characters have felt, so many of which will resonate with us as we look back on lives well lived, and on people well loved.

Cocktails and dinner, hosted by Adobe

8.00 pm

Sunday, December 10, 2017

Breakfast and departure

7.45 am to Delhi/10.00 am to Kolkata

Conclusions Summary

(In order of sessions hosted)

SIGNS OF THE TIMES: JOINING THE DOTS IN A NEW PHASE OF GROWTH

Adit Jain, Chairman and Editorial Director, IMA India

In the past few months, the global environment has been a source of both comfort and concern. Growth has picked up in the major economies, but it is unclear how long this can sustain. More fundamentally, while Europe's nationalist tide has ebbed somewhat, especially after Emmanuel Macron's win in France, the four pillars of a rules-based, US-enforced global order – liberal values, free trade, loose money, and geopolitical security – are under threat. Since 1980, it was precisely these factors that allowed the world economy to expand 7-fold and trade 8-fold; for per-capita income to rise 400%, bringing millions out of poverty; and for China's GDP to grow from USD 200 billion to over USD 12 trillion. Today, these pillars are challenged most obviously in America, where Donald Trump has railed against US 'job losses' and the 'influx' of immigrants. In Europe, it is marked by Brexit, and by the rise of the Far Right, which is no longer at the periphery, but is actually starting to *determine* public policy. Nationalist pressures are evident also in Japan, where Shinzo Abe seeks to revise the country's pacifist constitution, and in China, with Xi Jinping asserting China's might, including in the South China Sea. The world over, the tone of the public debate has changed, from a clear Left-Right distinction, to a battle between nationalism and globalisation, the elite versus the working class, populism versus market economics, and open versus closed borders. Going forward, the world (and India) of 2018 and beyond will be shaped by a set of drivers, which Adit Jain, IMA's Chairman and Editorial Director, outlined in the opening session of the 2017 CEO Roundtable.

THE GLOBAL ENVIRONMENT

Strong growth – for now

World GDP will grow by an estimated 3.6% in 2017, and by a slightly faster 3.7% next year. However, this may not be sustainable, given low inflation, falling wage growth, and various structural challenges. Worryingly, the world's three major central banks have collectively printed over USD 11 trillion since the GFC, and no one quite knows how things will play out as they unwind their balance sheets. (Some even expect a bout of hyperinflation.) While unemployment may be back to pre-GFC levels, wage growth is slower than in the pre-2007 years. (Additionally, today's 'full employment' levels are partly the result of a surge in part-time employment, and in people voluntarily, and permanently, leaving the workforce.) Financial markets, meanwhile, have been strong, but they may be under-pricing risk, and there could be painful corrections ahead in many asset classes. The main risks to growth in the global environment today include a faster-than-expected monetary tightening, a 'China stumble', military conflict, such as in the Korean peninsula, and anti-globalisation policies.

The US economy: in slow recovery

America's economy continues to strengthen, with house prices rising sharply, and even the recent 'slowdown' in job creation being driven – at least in part – by the fact that the US is approaching full employment. The big risk ahead for the US, playing out over the next 15 years, is that its pension funds, which hold the savings of the majority of its workforce, are under-funded. More immediately, at 25+, the current stock-market PE ratios are unsustainable, with economic growth clearly not strong enough to permit profitability levels that would justify such valuations.

Europe: a brighter outlook

Eurozone growth has steadied in the 1.9% range, and the problems faced in recent years by countries like Iceland, Spain and Ireland have largely been resolved. Politically, too, Mr Macron's victory has brought cheer. However, Europe's worries are far from over – and little embodies that better than Italy, the EU's fourth-largest economy. Public debt there is now over 135% of GDP, with banks alone holding over 200 billion euros (13% of GDP) of debt, their share prices down by as much as

90%. These banks desperately need to be recapitalised, but policymakers are struggling to find a way forward. Should Italy's problems drag it down, it *would*, given its sheer size, take the EU down with it.

Low inflation

Despite their pump priming, most of the advanced economies continue to suffer from low inflation. While the US is now approaching its target level, the EU, though improving, remains under-par, and Japan is stuck at below 1%. As a result, while the Fed is getting ready to unwind and even to start tightening, the ECB can at best slow (rather than reverse) its bond purchases. Inflation is largely a self-fulfilling problem: when expectations get entrenched, they create a spiral that is difficult to break. Additionally, though, there are supply-side issues, including soft commodity prices. The IMF's primary commodity index is 5% down in 2017, and oil and natural gas prices remain low.

Monetary unwinding

Donald Trump's electoral victory caused bond yields to jump from 1.7% to 2.5%, with markets expecting a reversing interest rate cycle led by tax cuts and a promised stimulus programme. However, when it became clear that the new administration would have trouble cutting deals with Congress, yields dropped back to down to 2% in September. At that point, the Fed signalled that it would start unwinding its balance sheets, and yields jumped back up to 2.4%. Going forward, the unwinding process is likely to take 5-6 years, and no one knows quite how it will shape out. Very likely, though, it will cause the dollar carry-trade to reverse, with implications for capital flows and liquidity, particularly in the emerging markets.

Inflated asset prices

Today, the S&P 500 has a Cyclically Adjusted PE (CAPE) ratio of 26.1. Worryingly, there have only been three previous occasions in 135 years when the CAPE has crossed 25 – 1929, 2000, and 2007 – and each time, this has preceded a major recession. A clear signal that asset prices are not being correctly priced is that yield spreads between Treasury and investment-rated papers are down sharply, as are emerging market spreads, which have dropped to as low as 1%. At the same time, US property prices are heating up, rising 7% in 2016, and another 5% in the first three quarters of 2017. Rental yields are also falling relative to capital values. Therefore, price corrections across asset prices are, if not imminent, highly likely. Moreover, given high leverage ratios in hedge funds and other institutional investors, when the correction finally occurs, it will trigger a sudden downward spiral.

Cheap money – encouraging risk-taking

For decades, the world has been awash in cheap money, much of it highly leveraged, in search of yield. Driving this are ageing populations in the West (which tend to save more), and China's economic integration with the world (which has brought on tap its huge, 50%+ savings rate). At the same time, the West's demand for capital has waned, owing to reduced investment demand in general, and also the fact that services – today's main economic engine – is less capital-dependent than manufacturing.

The dollar – down but not out

Immediately after Mr Trump's victory, the dollar jumped, touching levels 40% higher than in 2011. When it became clear that his promised tax cuts and infrastructure spending were in trouble, the greenback corrected sharply. Should these plans go through, however, the dollar will change course again. Especially critical is a proposal to offer concessions to US corporations, which currently hold over USD 3 trillion offshore, to bring their money 'home'. If this gets approved, it would quickly cause the carry-trade to reverse, drive funds out of the EMs, and push the dollar up.

An assertive China

Xi Jinping has established himself as China's most powerful leader since Mao. A critical element of his 'Great Chinese dream' is economic prosperity, with the government promising to double per-capita income in the decade to 2022. This, however, demands annual GDP growth of at least 6.5%, and falling short of target would undermine the government's legitimacy. (Indeed, while growth

today is officially 6.5%, independent estimates, using 40 proxy indicators of growth, indicate that it is far lower, and perhaps below 2%.) Partly to distract attention from its very serious problems – including high levels of debt (360% of GDP, up from 150% in 2007) and falling ‘returns’ on this debt (less output for each unit of borrowing) – China has sought to exert global dominance through its Belt and Road Initiative (BRI) and its assertiveness in the South and East China Seas. (The BRI itself is meant not only to assert China’s role as a superpower, but also to make better use of all the overcapacity in its system. It is not clear, though, whether the programme will play out quite according to script, with murmurings, for instance, in Pakistan, about how the impact on local jobs and investment is fairly limited, while the costs are fairly steep.) For now, China is, on the whole, managing to ‘chug along’, but should it ‘stumble’ – like it did in early 2016, wiping out trillions of dollars in global capital – it would affect the rest of the world.

Geopolitical risks

Most of today’s geopolitical risks centre on the Middle East, and in particular Saudi Arabia, which not only has problems with several of its neighbours, but also has some serious internal issues. How this plays out will impact regional stability, refugee/migrant flows, and could lead to other complications – such as, for India, declining foreign remittances. The other key global risks at the moment include tensions over North Korea, and differences between China and Japan over Mr Abe’s planned constitutional changes. For India’s part, an emerging US-India-Japan-Australia strategic axis will be an important factor going forward.

INDIA: A MIXED PICTURE

A positive political outlook...

Many believe that, unless it goes badly wrong in some way, the 2019 elections are for the BJP to lose. Mr Modi himself remains very popular, and arguably, it was *he* – rather than the *BJP* – that won the last election. People trust in his sincerity and are likely to give him another term in office. In any event, from early 2018 onwards, the NDA, currently in a minority (85 seats, compared to ~115 for the opposition) in the Rajya Sabha will move towards a majority. This may enable it to pass certain legislative changes that it has been hesitant to pursue thus far.

...but a slowing economy

Growth fell from a peak of 9.1% in January-March 2016 to 5.7% in April-June 2017, though it picked up slightly (6.3%) in the September quarter – and it should go past the 7% mark within the next 12 months. Consumption – India’s main driver of growth – is strong, also reflecting in the brisk rate of growth (~17%) of retail lending. Worryingly, however, investment remains weak and overall credit growth, a key barometer of fresh investment, remains stagnant at ~5%. New investment by industry, at ~Rs 3.3 trillion over January-September, is largely unchanged from last year and IIP growth is down: 2% over April-August, compared to 6% at the same time last year. Stalled investments are actually up slightly. The investment cycle will need to kick in for growth to move beyond the 7% range.

Investment dampeners

Having collapsed after the GFC, and then again in the second half of the UPA-II period, however, investment is now starting to inch upwards. Yet in absolute terms, it remains lower than it was 5 years ago. A crucial factor is high interest rates: if rates are high, so are the hurdle rates for new projects. Equally critical, however, is that capacity utilisation rates continue to linger at a low 70-75%, compared to 80%+ levels in the boom years. Added to that, inflation, at below 5%, is simply too low right now to spur businesses to create new capacity – because at such rates, firms do not believe that prices will rise fast enough to generate adequate returns.

A timely stimulus...

The government’s steps in recent weeks reflect recognition of the need to drive change in this area. Ingeniously, the NDA has managed to find a way to recapitalise PSU banks – bank indebtedness has been a huge dampener on investment - without creating much of a fiscal dent. The move will

infuse Rs 2.1 trillion of fresh equity capital, allowing banks to start lending again, while costing the government only Rs 8.5 billion a year. Additionally, the more important part of the recently announced stimulus package is a 5-year, Rs 15 trillion infrastructure spending plan. Should the government manage to implement even a large portion of this plan, particularly its Bharat Mala roads programme, it would boost growth, and perhaps, even define Mr Modi's legacy.

Bond markets: deepening

Other tailwinds are less obvious, but very positive. In 2011, India's total outstanding bank credit was Rs 6.3 trillion, but its bond markets were valued at just Rs 1 trillion. Over time, even as bank lending has stagnated on account of rising NPAs, the bond market has quadrupled, to Rs 4 trillion, and its share of fresh credit has risen to 40%. This, together with a possible revival in bank lending on account of the recapitalisation programme, should allow India's investment rate to start picking up again in the next few quarters.

Capital markets: less prone to FIIs

Historically, the Indian markets have depended heavily on foreign capital for liquidity, but this too is starting now to change. In the last few years, mutual fund assets under management have tripled to Rs 6 trillion, from less than Rs 2 trillion in 2014, and Rs 200 billion of new money enters the market each month. This is the result of rising yields from financial assets, which has led investors to move out of gold and real estate, as well as the impact of demonetisation and the Jan Dhan Yojana. Added to this, new rules allow the EPFO to invest 5% of incremental pension collections in ETFs, which amounts to Rs 150 billion in 2017 and as much as Rs 250 billion next year. At a systemic level, therefore, Indian markets are no longer being propped up, as they used, to, by FIIs.

State finances – a big worry

If Moody's took as long as it did to upgrade India's sovereign ratings, it was, first, because of dud loans in the banking system, but second, on account of poor state finances. As a share of GDP, the states' collective deficit has gone up from 1.5% in 2007 to 3% today. Part of this is because of the UDAY programme, which requires states to absorb the debts of state electricity boards (SEBs). Clearly, this is a one-off shock, and UDAY itself should lead to improvements in the deficit position over time. The bigger worry, though, is the rising temptation to write-off loans: at last count, the bill for farm-loan waivers was over Rs 800 billion, and set to grow further. Swelling staff salaries, and an inability to follow-through on efficiency commitments under the SEB-reform programme, are additional risks that could push these deficits up further in the years ahead.

Near-term downside risks remain

Broadly, India faces a handful of downside risks in the near term. The GST's rollout has been disruptive, and could remain so for some time, but on balance, it is more likely that the main outstanding issues will be ironed out sooner rather than later. Border security issues with China and Pakistan are also a worry, coming with economic and financial implications. What should concern industry most immediately, though, are a possible realignment of the currency markets, and a reversal of the carry trade. A decade ago, the Rupee dropped by 20% in a short span, primarily because foreign banks were in trouble and could not roll over Indian debt, which had to then be repaid at short notice. Liquidity, the Rupee, and growth all fell sharply. Today, similarly, there is a real risk of the carry trade reversing, with a consequent impact on the Rupee – and therefore on GDP growth.

SKILLING AND ENTREPRENEURSHIP: RE-IMAGINING INDIA

Dr KP Krishnan, Secretary, Ministry of Skills and Entrepreneurship, Government of India

India's greatest opportunity, and its greatest challenge, is its population. With average job creation hovering at 3-4 million for the last few years – compared to a required 10-12 million – jobless growth is a reality. Millions come into the workforce each year, but too few find work. Business managers would agree that finding individuals with the right skill sets is one of the biggest trials they face, but from a national perspective, the problem escalates many times over. A higher skilled workforce is required for greater levels of productivity, and therefore more effective utilisation of capital. In India, though, the issue extends beyond numbers and the economy with huge social and political consequences. Encouragingly, however, the government has acknowledged the depth of the problem, and is taking policy initiatives to address the issue.

THE INDIAN MARKET FOR SKILLS ACQUISITION

A 2012 Ministry of Finance study forecast that, in the decade to 2022, the incremental skilled human resource requirement in 24 sectors, accounting for ~95% of GDP, would be in the range of 100 million. On the supply side, meanwhile, 54% of India's population is below 35, but 47% of all children drop out of school at the secondary level. This implies that 5-7 millions youngsters will enter the workforce each year with almost no education or skills. These numbers suggest that there *should* be a 'natural market' for skill acquisition in India, but that is in fact not the case. Like basic education, skills acquisition is what economists term a 'merit good' and not a 'public good': its consumption *cannot* be characterised by non-rivalry and non-excludability. The overall social benefits of skills acquisition exceed the private benefits, which leads to them being under-supplied. Consequently, the state *must* have a role in its provision – as it does in most countries. Yet state *provision* does not necessarily mean state *production*: while the state must fund it, the private sector can be (and in India, mainly is) responsible for its actual production and delivery.

The challenging state funding and private sector execution

The problem with this model is that, while the government is used to being a *producer* of services (how well or badly it does this varies by sector), it falls short in terms of the *regulatory/oversight capacity* needed to ensure the supply of high-quality, private-sector skills training. On paper, the National Council for Vocational Training (NCVT) is meant to regulate the sector, but it was neither designed nor has the capacity for enforcement. The task then falls on a host of central and state Directorate Generals of Training, who themselves lack capacity to do so. Moreover, a bulk of the target population comprises poor and vulnerable people, who are prone to engaging in collusive behaviour with small, private service providers, many of whom have a decidedly short-term mindset. For instance, if 30 people sign up for a course, they might agree to split the fees paid for by the government, that the provider receives, and to not hold any classes.

EVOLUTION OF THE INDIAN VOCATIONAL/SKILLS EDUCATION LANDSCAPE

Skills training can be either short-term (6 months or less), or long-term (1 year or more) – in which case it is referred to as vocational education training, or VET. In the 1960s, India started to focus heavily on the capital goods sector and the creation of big engineering PSUs, which gave a push to both the IITs (to meet the country's higher-end engineering needs) and the ITIs (to train factory supervisors and workers). Initially, the ITIs were almost exclusively government-run, and many were located in towns with a major PSU presence. They would have large tracts of land, well-constructed buildings, but also poor-quality labs and equipment (which became increasingly out-dated with time) and critically, huge teacher vacancies. The situation in private ITIs was worse on nearly all counts, though today, of the ~14,000 NCVT-approved ITIs, roughly 84% are private, with the cash-strapped state governments accounting for the remaining 16%.

For a host of reasons, the vast majority of these institutions are poor in terms of outcomes; the quality of teachers is a notable cause. These are perhaps the only institutions where the trainers are

formally required to have only the same qualifications as their students. However, there are also some outstanding private-sector institutions, such as NITTF, Don Bosco Technical Institute, and Tata Strive. One ITI in New Delhi works closely with Maruti Suzuki, producing excellent graduates, while in the financial service space, ILFS runs a centre in Okhla with 150% placement rates. In all of these cases, on-the-job training is built strongly into the programme.

Public sector weakness overlaid by private sector apathy

Recognising that long-term VET is often constrained by capacity issues, the government in 2007 launched a ten-year Modular Employability Scheme (MES) to meet India's more immediate skills requirements. The 2007 Budget also announced the creation of the National Skill Development Corporation (NSDC). The MES primarily focussed on short duration skills, and it spurred an entire ecosystem of private training providers, as well as assessment and certification agencies. In total, there are now over 13,000 NSDC-affiliated training agencies, and more than 3.7 million people have been trained, assessed and certified to date. In 2009-10, the Centre created a framework for Sector Skill Councils, which are industry/employer-led bodies – presently numbering over 40 – with responsibility for helping to establish curricula, source the course material, and for assessment, certification and regulatory issues. So far, though, these councils have yielded only poor employment outcomes, with placement rates of about 24%. Partly, this is because the private sector has not taken the councils very seriously, refusing – despite repeat follow-ups – to send senior managers for interaction meetings. This is in marked contrast to countries like Germany, Australia, Canada and the UK, where chambers of commerce, or craft guilds single-handedly decide on curricula and certification, and where the government's role is solely to recognise the awarding bodies, rather than delving into the content of the training itself.

The government's response: the Skill India Mission

Resultantly, even leaving aside the issue of quality, India is an order of magnitude short of where it needs to be in terms of skills training even in terms of sheer numbers. In a fresh attempt to overhaul a legacy system, the Ministry of Skill Development was created in 2014, and the Skill India Mission formally launched a year later. Broadly, the Mission seeks to bridge the gap between the economy's demand for millions of skilled employees (and the supply of millions of raw workers), and the ~1.6 million that get produced by the formal VET system annually. Skill India aims to create massive short-duration skill-development capacity, including through established Government of India programmes like the PMKVY and the DDUGKY. In terms of quality and employability, it seeks to use the NSDC as an implementing agency (in place of government agencies); leverage the sector skill councils to improve employer connect; give a push to apprenticeship; and create a non-statutory regulator for quality enforcement.

Building bridges across skills and education

A third, critical aim of the Mission is to overcome the fact that in India, skill acquisition is not something aspirational. While this is the case in most other countries, here, there are serious historical and social factors that exacerbate the problem – and worse, skilled and non-skilled workers in this country tend to start at the same wage level. To get past this, the Mission seeks, at one level, to build educational mobility, which would mean, for instance, enabling a VET certificate-holder to transition into either a higher-secondary school programme, or even to work towards an engineering diploma or degree. (The initial work towards this end-goal has now begun.) At another level, it looks to raise the profile of skills training through the use of brand ambassadors, playing up events such as graduation ceremonies, and by creating global opportunities for skilled Indians. For example, India is the first country to sign a formal agreement with Japan on its Technical Intern Training Program (TITP) programme – a mechanism of international apprenticeship, but also a way of importing skilled labour into Japan. (4 ITIs are now recognised by the Japanese authorities under the TITP.) Significantly, too, the German regulators recently recognised a 3-year certificate programme by Coimbatore-based skilling centre, GDIT, as preparation for employment in Germany. 11 more such agreements are in the pipeline.

Apprenticeships: a key part of the puzzle

In the OECD countries, apprenticeships are really the backbone of skill development. From a business angle, their appeal is clear: whatever a person's qualifications, one can only truly assess a candidate on the basis of their work. Apprenticeships therefore allow firms to see people at work, decide who to employ, and let the remaining apprentices go. Equally crucially, they are an excellent way of creating a wage premium for skills. In India, however, this is an area that sees only limited traction, mainly because employers view it as being heavily regulated – administered, as it is, by the Labour Department. Moreover, prior to 2014, the laws around apprenticeship involved tight control over the course content and structure. What has gone largely unnoticed, however, is a 2014 amendment that completely rewrote the law, removing much of the heavy-handed regulation that previously existed. Further, in 2015, the Centre launched the National Apprenticeship Promotion Scheme (NAPS), where the government co-pays 25% of the monthly stipend of every apprentice hired by a private- or public sector employer. There are still relatively few takers of the NAPS, but the programme can succeed with greater employer connect.

THE NEED FOR A MANY HEADED HYDRA

Sorting distribution...

Ramping up vocational training will remain a big part of the government agenda. However, this is much more than just a 'numbers game', especially given the huge difficulties with the distribution of VET capacities in terms of disciplines. Currently, for instance, a disproportionate number of electricians are being produced, mainly because the capital investment required is low – and not because the market requires these skills on such scale. Geographically, too, distributions are skewed: Jaipur, for instance, has the highest concentration of ITIs per square kilometre, mostly because the state government pays service providers a per-student fee, and many respond by setting up small centres, including for trades that find few or no takers.

... prioritising soft skills...

There has also been little attention paid, thus far, to soft skills and life skills, all of which feed into employability: it is rare, for example, to find a driver who turns up in time, well-dressed and clean, and who can read a map. All of this will take time to correct, but the process has begun. (On a related note, there is a move towards creating a voucher-based system, so that the money goes to trainees into trainers, which improves the incentives for acquiring marketable skills.)

...and teaching skills

At another level, the government is working on a labour market information system, which combines both micro- and macro tools, and it is now building an Institute of Training of Trainers (ITOT), which channels of a whole stream of high-quality trainers directly from the workforce, including from the Armed Forces. There will also be much greater focus on quality and employability through better employer connect, which is currently an area of weakness. Finally, there is a plan to set up a statutory regulator for quality assurance – the discussions have begun, and there should be forward movement on it in the year ahead.

GST: THE WAY FORWARD

Harishankar Subramanian, National Tax Leader, EY

Five months into the GST, the transition to the new regime is going fairly smoothly, especially considering its design complexities, and given the size of the Indian economy. The massive informal sector, which has long thrived on tax arbitrage, has suffered a great deal, but in many ways, this was inevitable, as one of the main aims of the GST *was* to push the economy towards greater formalisation. It was perhaps unrealistic to expect a ‘perfect’ GST right from the get-go. Looking ahead, the experience so far suggests that the GST will continue to evolve and change in significant ways over the next 2-3 years. Industry as represented by IMA’s Forums is of one voice of the advantages of a system that tries to enable the creation of a single national common market.

There is undeniably still a lack of clarity about several key issues, including the area-based and state-specific incentives that have guided investment decisions for years. Mostly, however, the government and the GST Council have been extremely responsive to inputs from industry, and the dialogue remains open on both sides. Defying expectations, the GST Council has managed to work entirely on the basis of consensus, and wherever it has seen merit, recommended corrections in terms of tax rates and procedural issues. Two separate committees have also been set up, and are presently reviewing both the GST law itself, and some of the key issues and proposals that have been raised in the last few months. By January, they are expected to send their recommendations to the Council for deliberation.

Indications are that wherever procedural or structural changes are required, if they have limited or no revenue implications, the government will move swiftly to address them. It will also start to take up take up industry-specific issues. Eventually, it will also consider issues that have revenue implications. For industry, the upshot is that it is essential to continue engaging closely with government, because the current dispensation is open to feedback, and is willing to make changes that improve the ease of doing business in India.

GST RATES: TOWARDS SIMPLIFICATION AND RATIONALISATION

The initial slotting of goods and services into the five GST rates was decided on the simple principle of equivalence, i.e., the existing VAT, CST, Excise and Service Tax levies were added up for each line item to arrive at a rate that ensured revenue neutrality. Also kept in consideration was that a number of major items – including petroleum, which generates huge VAT and Excise collections – were outside the GST. Several interactions were held to validate these numbers, but the process was time-bound, and in some cases, there were issues – such as inconsistencies across similar items, and inverted-duty structures. (Further, imported goods have become cheaper under the GST due to the availability of input tax credit on IGST payments.) Recognising the need to make adjustments, and also, fairly sanguine about the revenue numbers, the Council has to date tweaked the rates of over 200 tariff lines or products, with 98% of them moving downwards. The biggest tranche of changes was in the November 10th meeting, where 178 items were removed from the 28% slab. Currently, only 50 line items are left in the highest category, and it is expected that eventually – once the Council is confident of GST revenue consistency – all but 10-12 line items may remain at 28%. Most of these goods will be moved into the 18% slab, and some to 12%, though it is unclear when exactly this will happen – possibly as early as January, but more likely after the February budget.

While everyone may want a single GST rate, this can never happen in India. What might be hoped for, at best, is that over the next 2-3 years, the majority of items will be shifted into the 18% and 12% slabs, with some sprinkling of 0% and 5%, and with noble metals like bullion kept in a separate category. Even in the most ideal scenario, India will continue to have multiple rates, but with the majority of items in the 12-18% range. The world over, many jurisdictions have multiple rates, and it is unrealistic to expect India – with all of its inequality – to have a single rate.

Revenue trends – early days yet

Over July-October, monthly GST tax collections were in the Rs 920-950 billion range, broadly in line with the revenue-neutral rate (RNR) projections. The RNR projections also accounted for items that are outside the GST, such as petroleum (Rs 3 trillion in collections estimated this year) and alcohol. In November, revenues dropped to Rs 830 billion, causing some alarm bells to ring. However, this was actually not surprising, considering that IGST (which is an intermediate tax) became available as credit for those who had paid CGST, SGST or IGST on inter-state sales, and similarly, on the stock transfer of goods from factory to depot. Typically, it takes 60-90 days for a manufactured good to complete the cycle from manufacturing to final sale, and this initial 'float' vanished in November, causing collections to drop.

That said, these numbers do not yet factor in a majority of TRAN1 transition credits that firms accumulated under the erstwhile VAT, service tax and excise, and transitioned into the GST regime. Through December 31st, that number will be somewhere in the region of Rs 1 trillion. Further, the government had granted presumptive credit (TRAN2) on stocks in the pipeline, and while no quantification is yet available, it may be in the range of Rs 750 billion, or even higher. Potentially, these two 'jokers in the pack' could blind-side the Finance Minister in terms of indirect-tax collections for the year. The evidence suggests, however, that collections will stabilise in the Rs 850-900 billion range in the coming months, barring some one-time transition credits and export refunds. For now, there are working-capital issues arising from the slow refunds process, but if revenues remain buoyant, there could be some pleasant surprises in the Budget in terms of corporate tax rates and direct tax rates more generally.

A RESPONSIVENESS OF GOVERNMENT

A number of compliance issues have arisen in the last 4-5 months. The government has responded with a deferral of a number of deadlines and an indefinite deferral in the case of GSTR2 returns with matching requirements. Additionally, given that the MSME sector was worst hit under the new regime, the government has agreed to raise the threshold limit under the composition screen – which provide for a flat 1% tax with no input-tax credit – to Rs 15 million.

Clearly, both industry and government misjudged the magnitude of the change India was attempting. No other country of its size has ever aimed for transaction-level reporting, but what was surprising was how unprepared industry itself was – and more than that, the fact that it did not *realise* that it was unprepared. Going forward, the deferment of the matching requirement will give firms an opportunity to improve the quality of their systems, which should eventually be able to generate high-quality data that enables greater transparency, and creates a platform for more focused, risk-based audits.

Whilst the number of changes brought in at the last minute left little time for the GSTN to stabilise, or for the software to be adequately tested, the signal is of a government that is sensitive to the needs of industry. Perfect systems can sometimes suffer from imperfect execution. With a change as complex as GST, whilst some of this could have been avoided with some forward thinking, the magnitude was perhaps not possible to conceptualise unless the system itself was given a chance to work.

A CHANGING INVESTMENT INCENTIVE LANDSCAPE: DRIVING STATE COMPETITIVENESS – AND NEAR TERM TURBULENCE

Multiple states of India's Union have offered fiscal incentives to encourage industrial investment. Key among these were area-based excise incentives that were payable on output on a gross basis. (If a firm had inputs with embedded excise duty (charged, say, at a 12% rate), and it sold goods worth, say Rs 100, it would receive Rs 12 as credit.) Under the GST, instead, the Centre has committed to pay only 58% of the net cash that is paid as liability under GST. The reasoning is that 42% of all revenues now go to the states – though, in fact, a considerable share of revenues were already being devolved to the states. The upshot is that many of these business models will come under threat – though this is partly mitigated by the fact that, for many businesses in Uttarakhand and Himachal Pradesh, the sunset clauses would have only extended to another 2-3 years, at most.

There are serious worries, though, about the other incentives states have been offering. Billions have

been invested on the basis of incentives such as cheap land, 15-year exemptions on electricity and stamp duties, and – most critically – either a full exemption, or a deferral, on VAT and CST duties. The CST component was by far the most important element of this, because, in most cases, 80% or so of all goods would be shipped outside the manufacturing state. This has now completely changed with state governments only committing to protect firms to the extent of the state GST they pay on goods (but not on services). For many businesses, this will drastically change the IRR calculations that underpinned their models. Even as the renegotiation process has begun, most states have been mum about their intentions. It is likely, though, that Maharashtra will be the first one to announce a policy in this regard, with other states to follow suit.

ANTI PROFITEERING RULES

India's anti-profiteering rules under the GST are overly broad. They specify that any input tax efficiency or headline rate reduction must be passed on, but it is intensely challenging to implement this, given the various efficiencies that result from the GST, and which will be hard to quantify right at the start. The issue has resurfaced in force after nearly 200 line items saw a rate reduction in November. A four-person National Anti-profiteering Council will come into operation soon, and is expected to issue clarifying guidelines. In all likelihood, the guidelines will be broad rather than granular – covering, in the case of goods, only category levels. Practically for industry, the challenge will be to ensure price reduction for stocks that are *already* in the pipeline; putting stickers on thousands of items is simply not feasible. Moreover, businesses will now need to ensure robust documentation to prove their intent to *not* profit from GST. Hopefully, though, the government will take a light touch, concentrating mainly on the B2C sector, perhaps in segments like real estate and hospitality. Restaurants already got a rap on the knuckles with the shift to a 5% rate (but with no input tax credit), which has impacted large-format establishments for whom the tax credits were considerable. Effectively, this has created an inverted duty structure. Clearly, the anti-profiteering clause will remain a serious pain point for FMCG and retail companies, and in general, for firms in the B2C sector.

Industry must move with alacrity to ensure it errs on the side of caution on this count, as the government is firm on its stance to ensure that GST does not lead to unreasonable inflation. The informal sector's ability to perpetuate 'unbilled transactions' is considerable and will need to be considered as well. At the moment, prices are not coming down, though studies show that in several sectors, the efficiencies created by GST are significant. (For instance, in the services sector, the tax rate has gone up to 18%, but factoring in the newfound efficiencies and much better input tax credits, the effective rate should be 15-16%.) While the base prices at the raw material stage have fallen, further down the value chain, there is little change – apart from certain categories, where the larger firms have been able to effect significant price reductions. However, the experience of other countries tells us that it takes time for this to happen. To a large degree, this is what is causing the government to focus on anti-profiteering.

In the fullness of time, GST's format and the addition of PAN Cards on every GST registration will make all transactions completely visible to the tax authorities, including the Income Tax Department, thereby also furthering the government's intent to stamp out corruption and expand India's tax net.

QUESTIONS AND ANSWERS

Is there any scope for reducing the compliance burden on services firms?

There was intense lobbying with the states to convince them that they did not need state-wise compliance, and that centralised compliance – with revenue distributed on the basis of end-consumption – would be just as effective. However, they were unwilling to do this, given a fair amount of distrust between the Centre and the states on revenues issues. Once things settle down in a year or two, and they are convinced about revenue buoyancy, this may get changed to some extent.

BECAUSE PASSION DEFINES LIFE

Divyanshu Ganatra, Adventure Beyond Barriers

Clinical psychologist by profession, trekker by passion, advocate for disability rights, and founder of the not-for-profit Adventure Beyond Barriers, Divyanshu Ganatra went blind in his teens. To not be able to see a world you have known only by sight, to try and see it anew without sight, to fight for qualifications in psychology and in IT when the world pushes menial work at you, to be able to think on behalf of millions of other disabled when you can justifiably wallow in the mammoth proportions of your own tragedy – all of this takes a very special person.

Divyanshu Ganatra *is* most special. Almost struck down by tuberculosis at 21, he is India's first blind para glider, and someone with a true spirit for adventure, having scaled peaks, scuba-dived and flown planes. Today, his life is defined not just by empathy for others, but by a unique ability to dream, to find the good in any situation, and by the fact that, ultimately, it is only *your own passion* that can define your limitations and boundaries.

RETHINKING THE WORLD

Detected with glaucoma at 17, Divyanshu had been warned that he *would* lose his eyesight. Nonetheless, when he suddenly woke up blind one morning at 19, his life was transformed. The first thing he realised was that *he* was the only blind person he knew. Like most of us, he had heard about them, even seen them around, but had never *met* one. This was a striking revelation about a huge, invisible 'minority population' of millions, most of whom are hidden away, trapped by the shame and stigma around blindness, or else by lack of access: a disabled person might secure a job, but how does one get up and down two flights of stairs, or navigate the public transport system? Going forward, this would shape Divyanshu's resolve on how to mainstream the disabled – it in fact became his mission. He states it simply as – making the world a better place.

Thinking about how to live life as a blind person, Divyanshu checked into a 'rehab' centre. Very quickly, he had his dignity stripped away. Shoved into a smelly, crowded room, he waited to meet a counsellor who was meant to help him decide what to do for a living, to be productive member of society. The best options on offer were courses in chalk-making or cane furniture-assembly, or, at a stretch, becoming a telephone operator. What the counsellor said that day is something that Divyanshu will never forget, 'You have to accept the reality that you're blind, accept that this is your world now.'

DREAM THE IMPOSSIBLE...

Divyanshu's idea of his world, however, was quite different. He had a keen interest in IT as a career, but this was a time before screen readers.

Use your support system...but the grit and determination must be your own

Ordinarily, that would have been a dead-end, but he decided to 'use' his friends' eyeballs to do the learning. Taking turns, they would sit with him for hours, reading out from the screen, helping him learn, keystroke by keystroke, one dialogue box after another. He got his first break with a web company, and then when screen readers came in, it changed everything. All at once, Divyanshu could use technology independently to read and write. He learned programming and AI, staying on at the company for 6 years.

At that point, he decided he wanted to learn about the human brain – something that we might take for granted, but which is, in fact, immensely complex. He had pushed the boundaries of his own brain, and seen how technology, itself created by humans, could transform capability.

The power of belief... and the courage to act

Arriving at the local university to enrol, he was told, incorrectly, that they had a rule barring blind people from studying psychology. Promptly, Divyanshu sent the college a threatening legal

notice – and promptly, he was granted admission! Gaining admission, though, was the *easy* part, and the administrators and teachers made it a point to make his time there as miserable as possible – drawing scatter-plots, for instance, and asking him to *describe* the drawing. Eventually, though, he received his degree, choosing to use the opposition to his advantage, never taking it personally, almost bludgeoning through it because it didn't matter in light of his actual goal – gaining his degree in psychology.

OVERCOMING BARRIERS – OUTSIDE...

For a blind person, the biggest challenge one faces every day is not the *disability itself*, but the *attitudinal barriers* that get put up by 'regular' people. Barring a few exceptions – Lemon Tree hotels voluntarily employ over 500 disabled people in good positions – there is little attempt to mainstream the disabled. Yet, it is not that most people are 'bad' – just that they are unaware and/or insensitive. An airhostess, for example, might not speak directly to Divyanshu, but to his companion, when trying to identify what he wants to eat. Or a PSU bank might give a disabled person a desk job (because RBI regulations *require* them to), but offer them no real work, thinking that *anyone* would want 'free money' for 'doing nothing'. One can choose either to get upset about this, or try and make the world a better place by fostering empathy. Divyanshu does this through his foundation, Adventures Beyond Barriers (ABB), which uses play to build understanding between the abled and the disabled. Children rarely focus on their differences when they are playing together, and similarly, the idea of ABB is to get communities to learn about each other through shared outdoor experiences. In order to climb a mountain together, there is no choice but to get to *know* each other – and you can learn more about another person in an hour of play, than you can in a year of conversation.

The transformation that takes place is remarkable, and no one comes back unchanged. For the disabled, who may be used to being stuck in a wheelchair, or having the world tell them what they *cannot* do, adventure sports are an eye-opener. ABB has sent someone with no sensation below the waist rock-climbing, and one with no feeling above the neck deep-sea diving. An amputee has summited Everest, and a double-amputee has cycled the Khardung-La pass. The key, in each case, is to get people to *question their own thinking*. Meanwhile, mainstream participants learn just how much potential there is for them to effect change within their daily lives. A teacher might see that is not so difficult to integrate the disabled, such as by making the syllabus more accessible. An architect may come to appreciate how important it is to make buildings more accessible – not merely because it is the 'right' thing to do, but also because there is a good business case for ensuring accessibility, given that *everyone*, at some stage in their life, will be either old, pregnant, or disabled in some way. Recently, Kishore Biyani participated in an ABB adventure with his senior managers, and straightaway decided to make 200 Big Bazaar stores across 17 cities accessible to the disabled; Shoppers Stop and Trent are now looking into doing the same.

...AND WITHIN

Thoughts drive emotions, so to change the way one feels, it is important to change one's thinking. We always have the choice of looking at a situation either positively – therefore drawing strength from it – or negatively, thereby risking a downward spiral. Nothing embodies this better than adventure sports, where keeping emotions in check is a vital, sometimes life-or-death imperative. For Divyanshu, the key to dealing with his blindness was to recognise that it was now an inescapable fact, and his focus shifted to one that seeks opportunity within adversity. As he says, '*what can I do as a sighted person that I can't do as a blind person? I am good and beautiful the way I am. The world is beautiful the way it is. I don't fight my blindness. I accept it, and it allows me opportunities to do so much.*' It helps, of course, that he is, by his own admission, 'stubborn' and 'persistent', willing to stick to his goals, even if he fails a hundred times in the process. (It also helps to have two very supportive parents: when Divyanshu told his father that he was going for his first paragliding class, his response was simply, 'Don't break a leg.') Last August, he proved this in fine style by becoming the first blind tandem cyclist to complete the treacherous 550 km journey from Manali to Khardung-La, the world's highest motorable road. Professional cyclists told him it was impossible to complete the route in 9 days – he already had his return tickets booked – but, despite suffering near-crippling damage to his bike, he did it in 8.

BEING WORLD'S BEST

Jonty Rhodes, Cricketer, Coach

One of the greatest cricketers of our time, Jonty Rhodes is a true sportsman. Known as the live wire of South Africa's national cricket team for over a decade, his fielding ability defied expectations – and gravity. Although his prowess as a batsman was also formidable, it was his fielding that reflected some of the finest attributes achievers, in any walk of life, can hope for: the ability to never say die, never give up, to intend to achieve the impossible, and to sustain energy levels that will carry teams to victory. Drawing on his experiences as a player and as coach of the Mumbai Indians IPL team, Mr Rhodes reflected on leadership – and winning – on the cricket field, and in life.

SEIZING THE FRONT-RUNNER'S POSITION

In cricket or in business, there are broadly three ways of dealing with the competition. You can say 'We don't do things that way', and turn your back on what is taking place in the market. Or you can imitate what the front-runner is doing – but then, you can at best hope to *keep up*. The *third* way – and the one that can potentially *win* you the market – is to actually *initiate the changes required to be* the front-runner. Nothing embodies this better than the World Cup-winning Sri Lankan team of 1996.

Cricket today has an intensity that was not always there. Every *ball* can now potentially win or lose a match – a far cry from the game's more languid days. Most people believe that this is the outcome of T20 cricket, but in fact, it traces back much further, to the 1996 World Cup. From dead-last just four years earlier, Sri Lanka caught everyone by surprise. They managed to win despite playing very few games in the run-up: with no real 'stars', Sri Lanka attracted little interest from broadcasters, and therefore, no one wanted to play them. What won them the cup was a unique strategy that ended up changing world cricket. Until then, the first 15 overs of an innings was about 'playing it safe' – preserving wickets and laying a platform for the 'finishers' to smash the ball around in the *last* few overs. What Sri Lanka did instead was to back its openers, and especially Sanath Jayasuriya, to hit every ball, scoring briskly. If, by the end of the first 15 overs, they had managed to score 95-110 runs for the loss of, say, 3 wickets, it was often enough to take the game away from the opposition. This one, simple innovation changed the game forever.

LEADING FROM THE FRONT...

Leadership is the ability to get the best out of your team, but it also means leading from the front. For years, South African was fortunate to have in Hansie Cronje a captain who was first and foremost a leader. (While not every leader is a captain – leadership can come from anywhere in the team – every captain *must* be a leader.) More than his skills as a player, it was his man-management and people skills that made all the difference. What was unique about Mr Cronje was his ability to see that every player needed to be treated differently. Until then, batsmen, bowlers, and wicketkeepers all followed the same fitness training: they all just ran. In contrast, he, together with Kepler Wessels, introduced a new and specialised training regime. He would personally spend hours in the gym, even training with Zola Budd, the champion long-distance runner. *Never would he ask the team to do something that he would not do himself* – and at the end of a long day, he would be the one still up and about, running hard. In the Indian context, we see something similar today in Mahendra Singh Dhoni, who pioneered the 'strong-and-fit' approach in India, and in Virat Kohli, who is not only incredibly fit, but also leads by example with his batting, scoring thousands of runs.

Mr Rhodes came to appreciate the *true* quality of Mr Cronje's leadership years later, after his unfortunate passing in a plane accident. Flipping through the books in his study, Mr Rhodes came across a sentence that was not only under-lined, but highlighted and circled: 'If things went well, YOU did it; if things went OK, WE did it, but if things went badly, I did it.' Never once had he heard Mr Cronje say those words even at public events where he was called on to speak, but it summed up his entire philosophy and leadership style. Mr Rhodes' own admiration of the man and his steadfast

support to him and his family was perhaps as much a reflection of his own character as it was a mark of Mr Cronje's stamp as a leader, where even the shame of match fixing did not take away from the respect and admiration of his team.

BE AUTHENTIC – AND CONSISTENT...

Leaders vary in their approach to the game, but what matters is that they stay *true* to themselves. India has, in the last decade, gone from a 'walk-over-me' side to being a world-beating cricket team. What got it there was not so much the 'Aussie-style' hyper-aggression of the Greg Chappell years, but Gary Kirsten's subtler approach, which can be summed up as, 'How can I help you be the best *Indian* player you can be?' In achieving that end-goal, every captain will try to stamp his own style on the game, but the key is to stay consistent. Mr Dhoni's approach to leadership is quiet, deeply thought through and chess-like – he constantly juggles the field depending on who is batting and who is bowling because he is so prepared about each individual player's strengths – while Mr Kohli's is an aggressive, heart-on-your-sleeve style. What is important for the Indian team to remember however is to remain true to one's own style. The Indian team must have one and be defined by one. Winners are not wannabes. (Separately, perhaps Mr Kohli *needs* all that aggression to lift his own performance, and the team's, but it is important that he stay consistent to this style, irrespective of whether he is winning or losing, scoring centuries or getting out early; ensuring that aggression has a vent or can be tempered is also key as he matures as a formidable player of the game).

...AND PLAY TO YOUR PEOPLE'S STRENGTHS

Perhaps Hansie Cronje's single-greatest leadership skill was allowing players to build on their strengths, rather than focusing on correcting their weaknesses. By honing-in on areas where his young, malleable players excelled, and by giving them the *permission* to see just how far they could go with their skills – while also allowing them to fail and learn from that failure – he built a truly world-class team. In most organisations, the tendency is to identify shortcomings, and to then try and overcome those. Too often, the emphasis is on *avoiding failure*, and on building up generalists who can do a competent – but not necessarily game-winning – job. With a lot of practice at the nets, Mr Rhodes *could have been* a half-decent bowler, who would fill up a few overs here and there. Instead, Mr Cronje saw that he loved to field, and was outstanding at it, so he told him to *only* concentrate on that. Similarly, he had a reliable fast bowler, Fanie de Villiers, who could bowl a mean outswinger, but who loved, most of all, to "break a batsman's toes with his Yorkers". Rather than guiding him to practice his outswing, Mr Cronje told him to perfect his 'toe-crushing' skills. In both cases, the result was the same: exponential growth, and match-winning skills.

YOU MUST LOVE WHAT YOU DO

Never for a moment did the hard work of fielding practice feel like work to Mr Rhodes – it was something that he just loved so much. This love and passion for what he does has, in his view, enabled him to be as great as he is at it. You can be very, very good even without this, but you cannot excel.

FOCUS ON THE PROCESS – NOT THE OUTCOME

As a fielding coach, Mr Rhodes is constantly on the lookout for whether, when someone misses a ball or drops a catch, he was in position, was ready for the ball, and whether he had the right 'body language'. In cricket, it is the little things that separate victory from defeat, and today, T20 games in particular often boil down to the last over, often even the last ball. The fielder's job, like a goalkeeper's, is to stop the ball from running away, and if all eleven players stop just 1 run each, it means the batsmen need to score 11 fewer runs. Against the West Indies at the 2003 World Cup, South Africa lost by 2 runs, with Brian Lara cracking a century. En route to that 100, he hit a boundary that Mr Rhodes just about managed to touch, but could not stop. Had he just let the ball go, he would forever have been haunted by the question whether he *could have* stopped it, and possibly won the match for his team. By giving it his all, diving at full stretch – and only getting his finger-tips on it – he *knew for certain* that there was nothing more he could have done. *Not* making that effort would have been a failure; having tried and not succeeded, however, is merely part of the learning process. One can never

guarantee success, but it is vital to have a clear strategy, allow oneself to fail, take risks, and step outside one's comfort zones. Focusing on that process, and learning from failure, is what eventually gets results.

QUESTIONS AND ANSWERS

How does Sri Lanka, with its small catchment and lack of a domestic league, do so well?

Like the Indians, Sri Lankans are incredibly passionate about cricket, and to them, it is much more than a game. All over the country, people play it on the streets, whether or not they actually get to be on the national team. The aim is to have 11 good players in a side, and Sri Lanka has been fortunate to have several outstanding ones. However, when they lose 2 or 3 high-calibre players of the same generation at the same time, they get into trouble. Prior to Mahela Jayawardene and Kumar Sangakkara, for example, they had a dry run, and today, they are going through another lean patch. (Similarly, Zimbabwe was for a while propped up by 3-4 world-class players of the same generation, but with their retirement, its prospects have suffered.) Although there is a lot of raw talent in the country, it will take time to blossom and manifest itself.

Why did you give up on hockey? And what did you gain from these multiple sports?

I was actually better at hockey than at cricket, but while South Africa re-joined the world cricket bodies in 1991, in other sports, including hockey, it only did so in 1994. Thus, I would have been unable to play hockey internationally for those years. Added to that, when I travelled abroad for cricket the first time, it coincided with the hockey season, which meant that I was unavailable to play. That said, many of my skills as a fielder were strengthened playing state-level football, hockey and tennis: the split-jump position and short, 5-metre dashes from tennis, sideways running from hockey, and goal-keeping skills from soccer.

On the future of test and one-day cricket:

What is heartening is that the players themselves want to play test cricket – not just because it is the 'real' form of the game, but also because it is an incredible test of both skills and mental ability. Every player wants to prove himself this way. There is more money in T20s, but for cricket players who want to have a record that stands any kind of scrutiny, there is no comparison. (In T20s, you can bowl 2 overs, and bat 15 balls, and be considered an all-rounder.) The 50-over game is starting to dwindle between world cups, with too many irrelevant games being played. It would be best to reduce that to a couple of games in each series, which should be enough. Test cricket, though, is in safe hands.

Aside from better fitness levels, what has helped India become a better team?

The key is batting, not just fitness, with Virat Kohli, much like Hansie Cronje, leading by example on both scores. In general, teams that work hard and struggle together tend to bond strongly, and India has done so. It now has many things going for it, including bowlers who can bowl in any conditions. For the first time, it has seamers who can win games, so any country that prepares green wickets for India risks getting bowled out. For a long time India was seen as a great team at home, not so much abroad, but this has changed.

Why is India not able to raise its level in other sports?

In hockey, it is actually doing quite well now, having improved from a physicality standpoint. More generally, though, there are not many focused sports-science institutions in India that can help athletes raise their levels, and nor is there adequate training or infrastructure. One Indian gymnast came fourth at the Olympics, doing a routine that most coaches ban because it is too dangerous. It turns out that she trained not on foam pits but on hard mats, risking her career - and her life - in the process. Now that she has done well, the government is extending all sorts of support to her, but before, there was nothing. Unfortunately, cricket has taken a large part of the focus and sponsorship money, despite the fact that India has so many incredible athletes, such as in archery, hockey, and air rifle. In soccer, the ISL is bringing in techniques and coaching from abroad, which should help, just as the IPL did in cricket. There are lots of talented players but they need work from a physicality point of view.

On South Africa's 'chokers' tag:

I played in 4 world cups and coached a fifth. In the first one, in 1992, we needed 22 to win off 13 balls – which was very doable – when the rain came down against England. The rules at the time stipulated that you lose overs depending on the time lost. We went off for just 10 minutes, but lost 2 overs, and needed an impossible 23 off 1 ball to win, so there was no choking in that case. In the 1996 cup, Brian Lara beat us single-handedly on a low scoring, turning wicket in Pakistan, where no one else was able to bat – though we did drop him early. In 1999, we tied the game against Australia, but it was not a great tournament for us, with Lance Kluesner winning most of the games for us on his own – so again, it did not feel like we had choked. In 2003, we misread the Duckworth-Lewis rule: we thought we needed a certain score to win, when in fact; we needed that score to tie the match. Having reached the supposed target, Mark Boucher thought we had won, so he blocked the last ball to avoid risking his wicket, and therefore the match. It was never the case that we blew our chances very obviously, but the 'choker' tag is an easy label for outsiders to stick on us.

INDIA'S PLACE IN THE LEAGUE OF NATIONS: TRANSFORMING PARADIGMS

Kanwal Sibal, Former Foreign Secretary, Government of India

With China moving into the ranks of middle-income countries, India is now arguably the world's most important developing country. However, on the basis of its physical size, economy, demographics, growth prospects, military resources, and some areas of technology (including nuclear and space tech), it is on par with many advanced nations. Few nations have had a greater civilisational influence on human history than has India. On current trends, India will become a pole by itself in an increasingly multi-polar world. For now, though, it has not fully achieved the status that it legitimately deserves. It is not a permanent member of the UN Security Council, nor a member of the Nuclear Suppliers Group – in both cases, largely owing to Chinese resistance. Not many realise this, but India still remains under sanctions in terms of dual-use nuclear/space technologies, so certain doors are still closed to it.

Some believe that India's foreign policy framework – as well as the results it achieves – has scope, or indeed *need*, for 'improvement'. This is a mistaken perception. In international relations, there is simply no *control* over many of the outcomes: no single *body* decides what the global order will be, or how bilateral relations will play out. Nor are there courts to enforce accountability across nations. On top of everything, the paradigms can sometimes shift quite dramatically – such as when communism collapsed, and new complexities came to embroil India, which had previously insulated itself by practising non-alignment. Moreover, as a large and growing power, India is no longer in a position – even if it ever was – to subordinate itself to a larger alliance or collective entity. Instead, it needs to forge its own destiny. Thankfully, there is in India today a new confidence and willingness to do so.

SETTING THE CONTEXT: AREAS OF VULNERABILITY

To understand India's foreign policy context, one must understand the major vulnerabilities it faces – more, perhaps, than any other large country. For one, it has **unsettled borders with two important, nuclear-armed neighbours**, creating complications along boundaries that span 3,700 kilometres. While it has managed so far to avoid serious conflict, this is a constant pressure point. The net result is that despite various agreements and confidence-building measures, India has had no option but to raise, at enormous cost, two extra mountain divisions and one brigade division, and to position jet fighters close to the Tibet border. Meanwhile, **Pakistan's continued claims on Kashmir, and its close collaboration with China**, including on the USD 46 billion China Pakistan Economic Corridor (CPEC), is a source of tension. China's position in this regard – undertaking a massive economic project in disputed territory – is entirely contrary to its approach to Arunachal Pradesh, where it protests even the *hint* of ADB or World Bank funding for infrastructure. Moreover, given how unstable and terror-hit Pakistan is, there is no other way to view the CPEC but as a project with huge geopolitical implications, and which will further China's hegemonic ambitions, potentially at India's cost. The Belt and Road Initiative (BRI) would, for the first time in history, allow a single power to potentially dominate both the Asian land mass *and* the Indian Ocean, and it is CPEC that will serve as its connecting point.

Another major vulnerability is **India's dependence on arms imports**. Being the world's largest or second-largest importer of weapons is not a matter of pride, but ignominy, given the challenges India faces, and the fact that without a strong industrial defence base, it can never have a truly independent foreign policy. At the same time, the country's **energy dependence** – over 70% of its oil and gas, rising in the next few years to 80%, is imported – is a constraint, forcing India to ensure stable bilateral relations with oil-exporting countries, and to also work towards their internal stability. At a more general level, the larger issue of **terrorism** affects India. Islamic State has been countered for now, but its ideology persists. India has, for years, been a major victim of terror, and the rise of extremism all the way from Morocco to Pakistan is a serious threat. In this respect, the policies of Western countries, especially the US, continue to ignite fires. (The decision to recognise Jerusalem as Israel's capital, for instance, will have a backlash that will spread through the Islamic world, and is ill advised at a time of such instability.) Finally, India has **neighbours who have grown used to playing the external**

card – and especially the China card – against it. In Nepal, China has built a strong presence on the ground, while Bangladesh procures all its defence equipment from the Chinese. Sri Lanka has become a hub for the Maritime Silk Route, and is clearly trying to achieve the best of both worlds. The Maldives, meanwhile, has signed an FTA with China quite out of the blue, and this will have wider repercussions.

GUARDING INDIA'S INTERESTS: BALANCING A COMPLEX WEB OF RELATIONSHIPS

In this context and very simply put, the best way to protect India's interests is to **be friends with as many countries as possible, to the extent possible.** It has drawn **much closer to the US**, especially on defence, building a relationship of mutual trust that has been tested over a long period. America has a history of imposing sanctions, including on India, and is prone to lobbying, but there is sufficient strategic convergence for the relationship to continue to strengthen and deepen. India has also grown **closer to Japan**, underpinned by a shift in military thinking, as well as economic and technological considerations. For a time, India resisted including Japan in its Malabar naval exercise, uncomfortable with the idea that this would move it towards a US-led alliance. Today, however, the trilateral dialogue has moved ahead considerably, including on a political level. Australia, too, is getting roped in, for now at the Foreign Secretary level. China's rise is the common concern for these four countries, and the attempt is to signal that any overtly aggressive policies will be challenged. Hopefully, this will place some restraint on the Middle Kingdom.

At the same time, India has managed, despite deteriorating relations with both countries, to **deepen its dialogue with Russia and China.** It also participates in BRICS and in the Shanghai Cooperation Organisation (SCO). In some ways, these platforms allow India greater room for manoeuvre vis-à-vis the US. On the other hand, **relations have improved beyond recognition with the Gulf countries, and especially the UAE.** (The joint statement issued after PM Modi's visit there was surprisingly blunt, with a whole paragraph on terrorism that clearly targets Pakistan.) With Saudi Arabia, as well, there is a distinct shift for the better, though India will need to be careful not to get drawn into the ongoing Shia-Sunni struggle in the region. India also continues to **maintain strong ties with Iran**, despite US sanctions (which impose certain constraints on trade), and is actively involved in developing the Chabahar Port, which may eventually provide an overland route into Afghanistan. There is, moreover, a new impetus on developing a **North-South Corridor linking India to Russia through Iran and Central Asia.** In a remarkably deft feat of foreign policy-making, India has managed, while strengthening its ties to the Gulf, to **shore up its relations, particularly in defence, with Israel.**

SIX KEY RELATIONSHIPS:

China: China's conduct in the South China Sea, particularly its defiance of international law and willingness to intimidate small countries, are signals for India. After all, what China does there, it will do to India as well – something it has already made clear in Doklam, and by making incursions into, and claims over Indian territory. Unlike with previous governments, though, the NDA is standing up to China, such as by openly opposing the BRI. Together with Japan and the US, it issued a joint statement highlighting the BRI's lack of transparency, weak adherence to international financial norms, and the issues of impinging on sovereign rights that it raises. This has influenced thinking in Europe, where the EU has also refused to fully endorse the BRI, citing a lack of reciprocity.

The United States: Looking ahead, the Indo-US relationship will hinge to a great extent on the China factor. Plainly, America sees China as a threat, particularly in the Western Pacific, and wants India to help stem its naval ambitions both there and in the Indian Ocean. Yet, while there is a clear maritime vision, there is no real support for India on the existing land-border issues. The US favours a bilateral solution, but has been silent about Arunachal Pradesh and Doklam, as also about the CPEC and China's presence in Gwadar Port. America wants to bring India into an anti-China naval alliance, but has simultaneously brought China into the 'quad' that is handling the Afghanistan issue. Thus, the US relationship will need to be carefully calibrated, and India will need to be cautious not to either put all its eggs in this one basket, or allow itself to become an instrument of US policies in the 'half-containment' of China. Given the complexity of Sino-US ties, including their deep financial inter-linkages, 'full containment' is not an option. (Further complicating things is the seemingly excellent

chemistry between Mr Trump and Mr Xi, someone with whom the US President thinks he can ‘do business’.) From a defence technology standpoint, Mr Trump says that India will be treated on par with allies like Europe, but the actual transfers so far have been marginal. For its part, India will have to take care not to allow itself to be treated merely as a market for US F-16 or F-18 fighter jets. On interoperability issues, too, it will need to tread with caution. In sum, while the bilateral understanding is strong, the US will have to do far more to put some ‘meat’ into the relationship.

Russia: American policy has pushed Russia into China’s arms at India’s expense. Earlier if India and Russia would balance China in the trilateral dialogue, today, as a subordinate power, Russia increasingly sides with China. At the same time, India has to contend with the fact that Russia views its own closer ties with the US with suspicion. The key will be to engage more closely with the Russians, convincing them that neither this, nor the strains with China, is related to them. After all, both sides have invested heavily, over a period of 60 years, in the relationship, and at critical moments, Russia has backed India both militarily, and in terms of diplomatic support in forums like the UN.

Japan: Originally pushed towards India by the common threat of China, Japan has shown that it can be a very good partner, financially, politically, and on technology. Shinzo Abe also has a strong affinity for India. On the flip side, Japan remains the biggest investor in China, and it does have some points of convergence with the BRI. Thus, there may be limits to which it is willing to partner with India, particularly in dealing with China.

Pakistan: There have been ups and downs in the relationship with Pakistan, but arguably, India is today doing the best it can under the circumstances. In plain terms, there is *no need* to initiate a structured dialogue at this stage, because doing so would mean giving Pakistan a platform to discuss Kashmir. Unless India is willing to make concessions in this regard – which it clearly should not – there is no point in talking. Further, not only has Pakistan gone back on the Shimla Accord, but it also continues to use terror as an instrument of state policy, and has helped ‘mainstream’ people like Hafiz Saeed. In any event, it is not that there is *no* dialogue between the countries – in fact, there is constant communication at the diplomatic level, and, through back channels, between the NSAs.

India’s smaller neighbours: There is a false assumption, including in the media and among politicians, that India has mismanaged its relations with its smaller neighbours. To a large degree, it is really *circumstances* – including a hostile China and Pakistan, and the fact that the smaller countries have played up this card – that may be to blame. Further, it is wrong to believe that it is only the larger country’s prerogative to drive the relationship, or that *any* large country *will* have ‘friendly’ or ‘stable’ relations with smaller countries. (No small country will appreciate the characterisation that it has entered the larger one’s ‘political orbit’.) The reality is that *any* large nation – whether America (with Latin America), China (with everyone but Pakistan and perhaps Laos), or Russia (most of its neighbours) – is likely to have problems with its neighbours. To that extent, a country’s rise as a regional or a global power is in no way tied to it first ‘stabilising’ its neighbourhood. India has taken many steps particularly in the recent past to prioritise its relationships with the neighbours. How this plays out in the future is dependent on a host of factors, not all of which can be driven by India.

Foreign Policy Goals – A Checklist for India

- Make the best of the current situation: be more confident in the conduct of foreign policy
- Maximise the US relationship, but don’t support America’s mistakes (of which there are many)
- Strengthen ties with Europe, especially France
- Stay close to Russia, because the defence and energy relationship is very important; expand the (currently limited) economic relationship. Pursue the North-South Corridor with vigour
- Maintain a position in Afghanistan, and help stabilise the Gulf
- Strengthen the Navy, and focus on India’s Eastern Seaboard
- Ramp up connectivity projects in East India
- Keep engaging China, but make sure you don’t become economically dependent on it
- Show no anxiety about the dialogue with Pakistan
- Strengthen the cyber-security framework: Digital India will mean greater vulnerability

QUESTIONS AND ANSWERS

What is the ultimate purpose of the Malabar exercises?

Essentially, they are about controlling the sea-lanes of communication in the Indian Ocean, which also ties in with China's trade and energy flows. The exercises themselves are designed to ensure interoperability, and involve a range of vessels, including nuclear submarines. China realises its vulnerability in this respect, particularly around the Straits of Malacca, so it is working to develop alternative routes, including the Eurasian corridor, but those are of limited value. Japan is already part of the exercises, and Australia is next in line, and very eager to join, partly to balance China's influence as Australia's biggest trading partner. India, though, is hesitant about letting Australia in, given how unceremoniously it walked out the last time it was part of the quad. Looking ahead, Indonesia, which sits on both the Malacca and the Sunda Strait (an alternate route for the Chinese Navy), is a strong candidate for inclusion.

Is India's foreign-policy establishment ideally structured to deal with the challenges it faces?

Where change is needed is in terms of greater coordination between the foreign and defence ministries. For instance, in the '2+2' dialogues with the US, the Defence Ministry showed very little interest. It tends to concern itself mainly with issues like procurement and defence production. A deeper 'inter-marriage' between the ministries – including having more officers cross-posted – would help greatly. The other weakness is the size of the Foreign Service, which is far too small. However, it is difficult to change this overnight: finding suitable candidates itself is a big challenge.

Has India allowed its domestic political compulsions to spoil relations with its neighbours?

No, that is incorrect. Sri Lanka's Tamil problem was a deep-seated one, and barring a phase when India was wrongly accused of training the rebels, India has always been (and seen to be) opposed to the LTTE. Not only did it stand aside as Sri Lanka destroyed the Tigers, it also sent its own troops to fight them and help maintain Sri Lanka's territorial integrity. However, Sri Lanka has ended up playing games with India. With Bangladesh, India has actually been overly generous with its Teesta water-sharing agreement, as it has with the Indus treaty with Pakistan. No other upper-riparian country has been willing to allow the lower-riparian one to receive as much as 80% of the waters. China does not even share its water data with India. With regard to Nepal, there is a serious issue with the Madhesis not being granted adequate rights under the new constitution. All considered, it should not be India's burden alone to ensure a good relationship – it can never be a one-way street. India does have greater resources, but it cannot be defensive and allows its neighbours to play the China card against it.

LEADERSHIP AND THE CEO: PERENNIAL REALITIES, NEWER TRUTHS

Hema Ravichandar, Strategic HR Advisor

Survey after survey reveals that the one, overriding issue that keeps CEOs awake at night is the management of human capital. A little further down the line, but still very critical, are customer relations, corporate brand and reputation, innovation and digitisation, operational excellence, regulation, and risk. Arguably, all of these issues should be overlaid on each other to create a composite view of what the future must look like. The talent landscape itself is undergoing a massive shift – it is an entirely different world from even a decade ago. Internally, meanwhile, businesses are morphing, and the organisation of tomorrow will be unrecognisable from the one of today. All of this requires new priorities, and new types of leadership responses.

THE KNOWLEDGE REVOLUTION: DRIVING TRANSFORMATIVE ORGANISATIONAL CHANGE

An ongoing ‘knowledge revolution’, which follows on the previous three major economic shifts that have marked human history – the agrarian, industrial, and services revolutions – will fundamentally redefine future organisations. The first three shifts were each built on a specific ‘asset base’: land, physical assets, and intangible assets, respectively. What distinguishes the ‘knowledge revolution’ is that human capital – talent, skills, tacit know-how, creativity, sympathy, but more importantly empathy – will be at the very forefront of productivity, growth, and wealth creation.

Resultantly, future organisations will be globally distributed, with smaller teams and ‘connected’ workforces. They will be ‘intrapreneurial’, and will operate like small companies. Their focus will be on ‘wants’ rather than ‘needs’ (that is, they will have to be ‘companies with a heart’), and they will adapt to change faster. Innovation, in tomorrow’s organisations, will come from just about anywhere, and businesses will run mainly in the cloud. More women will occupy senior management roles, rising from less than 6% today in the Indian context. Organisational structures will also be flatter; learning will be democratised; there will be a marked shift in the priority from ‘profit’ to ‘prosperity’; and businesses will adapt far better to future employees as well as managers.

SHIFTING WORKFORCE DEMOGRAPHICS

The Millennial Juggernaut...

Today’s workforce includes five distinct generations: the ‘veterans’ (those born before 1940); the ‘baby boomers’ (born between 1940 and 1960); Gen X (1960-80); the Millennials or Gen Y (1980-2000); and the ‘Digital Natives’ (people born after 2000, some of whom are already making their way into the work place). Clearly, a ‘one size fits all’ approach cannot work – even *within* Millennials; the children of the 1980s are very different from those of the 1990s. Strikingly, in India, there are now 400 million Millennials, who comprise 46% of the workforce – and by 2021, they will be 64% of the total. Already, research finds, many of them are their households’ chief wage earners, accounting for over 70% of total income. Responding to their needs – and demands – is imperative.

...and its ideal leader

From a leadership perspective, these changing workforce demographics call for a marked shift, along several dimensions. First and foremost, **it falls upon leaders to create a sense of purpose for their people.** Individuals today – particularly those from tier-1 institutions, who typically enjoy considerable financial freedom – truly *have* the choice of where to work, and they *want* to be at organisations with a purpose. The leader’s role in creating purposeful organisation is thus a key dynamic. **Second, leaders must serve, through culture and charisma, as talent magnets.** Third, leaders must **‘inspire through humility’**, by being accessible, open to dialogue, and willing to engage with ‘disbelievers’. If previously, assistants and secretaries were the organisation’s ‘power brokers’, controlling access to the top rung, today’s employees demand direct access, and they expect open dialogue. For their part, leaders must build ‘constructive depolarisation’: calming things when there are differences of opinion, while also fostering the ability to *disagree* while not being *disagreeable*. By letting go of their egos,

they can build a ‘cohort of disbelievers’ around themselves, ones who will constantly challenge the status quo. Finally, **leaders must invest time and effort in high potential individuals** (HiPots), who can only thrive when they believe that what they are doing *makes a difference*. Senior managers must also be willing to coach these HiPots, and thus be ‘better employers’ to their ‘better employees’.

A CHANGING MORPHOLOGY

1 – Flexibility

Organisations of the future must be flexible enough to respond to the emerging talent pools, which are freelancer-centric; increasing ‘virtual’; and which include large numbers of returning professionals. At the same time, ‘revolving doors’ – marked by dynamic reporting mechanisms and shorter tenures – are increasingly the norm. Many organisations, moreover, find themselves having to continuously ‘do more with less’, and are thus in a constant ‘in pruning’ mode.

Leaders might respond to these changes in three ways. First, they **must be good at ‘smart mob organising’** – creating, engaging with, and nurturing teams that come together to work on specific projects, and then quickly disperse when the job is done. Typically, ‘smart mobs’ are cross-functional teams, where a boss might be subservient to a much more junior employee. This requires strong role clarity, supported, at times, by reverse mentoring. All of this demands a mindset shift, and entails fluidity and out-of-the-box thinking: hiring, say, a 15-year hacker to test one’s cyber-security systems. However, complexities can arise. In India, unfortunately, there is a tendency to reward for effort rather than results. An employee who is ‘always around’ is likelier to get a big increment than someone who produces results but is not quite as ‘visible’. To be smart mob organisers, though, it is important to focus on results and not effort. **Time management** discipline is another key ask, and something that has to be inculcated at every level, down to the line manager stage. A freelance workforce will have multiple time commitments, so it cannot work if managers make a habit of *suddenly* remembering deadlines at 4:30 pm. Finally, **keeping in touch** is vital: a freelancer’s job is a lonely one, often removed from the work place, which makes constant engagement so imperative. To ensure this, some firms are even inviting their freelancers to come back ‘in’.

Second, a system of revolving doors necessarily means **having greater tolerance for uncertainty of role/tenure**. With tenures shortening, managers must continuously evolve their own competencies if they are to get to the next level. The biggest issues arise when leaders are asked to hire for their successors, because this breeds insecurity. Unless they are evolving at the same time, it can end up creating ‘cramped spaces’ for the successors. Third, **in terms of doing more with less, the CEO-CFO-CHRO triad has a big role to play**. If this relationship is strong, the organisation can do well, meeting the expectations of different stakeholders, but with respect and understanding.

2 – Agility and Nimbleness

In today’s hyper-competitive world, competition can come anytime, and from anywhere or anybody. Simultaneously, a crisis is now just a ‘WhatsApp moment’ away. For both reasons, organisations must be constantly agile and nimble. Their **leaders, in turn, need to be paranoid** (there is really no place for complacency), but they must also be **great ‘information curators’** with the ability to visualise and see around corners.

Agility and nimbleness entail **being hyper-innovative**, and **having a culture of learning**. Thomas Freidman argues that for the first time in history, technology is evolving faster than the rate of human adaptability. In order to bridge that widening gap, and to build career resilience, organisations need to be learning faster and governing smarter. As part of its IDP, AT&T employees, for instance, go through a competency analysis, which identifies specific gaps that need to be plugged. They are offered a certain sum of money to do online courses with the best universities, with some extra money thrown in for them to pursue their passions – whether photography, literature, or something else. The only catch is that these courses must be done on employees’ own time – after 6:30 pm, before 9 am,

or over weekends. For the most part, those who are willing to sacrifice their ‘free time’ to become ‘life-long learners’ have guaranteed employment, but those who turn down the offer are communicated that they and their jobs may need to ‘part ways’ at some point. Another key facet of nimbleness is the **creation of a ‘commons’**, which fosters collaboration across employees, and even with competitors. Finally, it is vital to have a **decentralised, team-based situational leadership**, with less hierarchy, the ability to form and re-form teams, for leadership to appear where it needs to, and the ability to *influence without authority*. All of this, ultimately, plays into customer centricity: having focus, speed, and always keeping the customer at the centre.

DIGITAL TRANSFORMATION

Automation and technology are a fact of life, and at some point, there may be more bots than people at the work place. The scale of transformation underway is apparent: already, it is estimated that 10% of all purchase decisions are guided by a platform’s agent. More critically, surveys reveal that 20% of all CEOs will fail to act in terms of the required digital transformation, putting firms at risk in the process. 60% of Chief Executives believe they are *already* behind the curve on this score. All of this goes to say that **digital leadership is more important than ever** – and even the smallest intervention must now be built around a digital platform – but that **firm leadership is not necessarily ready** for this phase that is already underway. At the same time, it is worth remembering that **someone needs to be there to provide the necessary emotional intelligence**. In a digital world, IQ is important, but EQ must come from the leadership, and there is really no substitute for that.

CORPORATE CITIZENRY

Businesses are coming under **rising scrutiny** – from society in general, and from activists in particular – for their corporate behaviour. Simultaneously, there is a growing trend towards **hyper-nationalism**, which plays out in multiple ways. Leaders must respond to these trends at several levels – and most importantly, by being **‘bio-empathetic’**. Seeing things from nature’s perspective, understanding, respecting and learning from its patterns, and then tailoring how the organisation works to this reality, will be critical. (After all, it is said, ‘God always forgives, Man often forgives, Nature never forgives.’) A second facet of good corporate citizenry is the **speed of decision-making**, which has to combine with courage, conviction and conscience. (In this respect, having a cross-functional, age-diverse team can help – one that mixes the energy of youth (the *yin*) with insights from a wiser/older counsel (the *yang*).) Particularly important to **track is when decision-making goes wrong**: a customer being treated badly, a less-than-flattering video going viral, or a leadership vacuum in the face of a crisis. Very quickly, all of the goodwill a company has built up over the years can disappear, directly impacting the organisation. Truly, then, **trust and authenticity** are the currency of the digital age. **Empathy, finally, is a key differentiator**, and it must come from the corner office, because everyone takes their cue from there.

BOARD DYNAMICS

A *healthy* Board is today synonymous with a *more involved* Board: staying in touch between sittings, for instance, or demanding longer meetings that include pre-meetings and Committee meetings. Given rising compliance requirements, it is not unusual for a Director who is fully meeting the demands of the role to devote 35-40 days a year to a single Board. (Where a statutory Board is not required, this ideal applies equally to an Advisory Board, which can play a vital part in continually reviewing the risks facing the business, perhaps taking up two key risks to assess in depth each quarter.) From the leadership perspective, what this implies is the need for more **outside-in reviews**, especially on people strategies and future competency mapping. Also essential is to build not just a **‘circle of inclusion’** (drawing on the wisdom and knowledge of Board members), but also **‘virtuous circle of productivity’** (where Board members truly bring more of themselves to the work place). **Quiet transparency** – which rests on having trust in the Board – and **partnering for leadership pipeline building**, also matter greatly

A CONFLICTED WORLD: RECASTING THE FUTURE

Dexter Filkins, Pulitzer Prize winner, Author, and Columnist, The New Yorker

For most people, wars happen on the idiot box or in newspaper columns, but Dexter Filkins has spent a large part of his life covering its gruesome reality, in places like Iraq and Afghanistan. He has been shot at, kidnapped, and attacked by mobs. He also, since 9/11, lost 18 of his colleagues in conflict zones – some of whom have died right next to him. Recounting his experiences reporting on wars in India and the Middle East, Mr Filkins also provided a forward view on US foreign policy.

KARGIL: SEEING A WAR UNFOLD FIRST-HAND

Mr Filkins' first brush with war reportage was in Kargil in 1999. Based at the time in Delhi, he heard that 600 Mujahideen warriors had crossed the border, and were heading to Kargil. Something about the situation made no sense to him, so he jumped on a plane to Srinagar. Along the Leh highway, parts of which were nothing but dirt road, and usually lacked a guardrail, he crossed Indian tanks on their way up. Pakistan had chosen to attack that particular sector to cut the supply route to Siachen, and just across the road, its troops were firing on passing cars. About half-way up to Kargil, he came upon a truly surreal sight: sitting on a folding chair, drinking tea, was a moustachioed Colonel ordering his men to fire their enormous Bofors guns nearly straight up, because the Pakistani troops were too close for a horizontal shot. Checking in to his hotel in Kargil later that day, with no power, no running water, and with shells exploding nearby, Mr Filkins fell in love with war reporting.

AFGHANISTAN: THE PRE-9/11 YEARS

His next major war experience was in Afghanistan, where the Taliban was then in power. While covering the war, Mr Filkins spent considerable time in Pakistan, and his impression was that of a deeply troubled country headed in the wrong direction. (In Peshawar, he visited madrasas filled with hundred of young men – children really – who were going off to fight in Afghanistan. It could only end badly – as it has.) Visas to Afghanistan were hard to obtain, but having secured one, Mr Filkins landed in Kabul to find an apocalyptic scene. A quarter of the population had been driven out, and a million people had died in the war with Russia.

The horrors of radicalism...

Unexpectedly, an official visited him in his hotel room, inviting him to witness an execution as an 'honoured guest'. Held in a stadium, right after prayer time, the event itself was horrifying, but equally disturbing was the numbness he saw in the faces around him.

...and the power of individual courage

Visitors to Afghanistan were always assigned a 'translator' – usually a turbaned, bearded man whose *real* job was to follow the person around, taking down the names of people who were saying bad things about the Taliban. On one visit, Mr Filkins was paired with someone he thought to be a very dull man, until he took off his turban that evening in the hotel room, disclosed that he was a communist who hated the Taliban, and offered – for USD 150 a day in cash – to take him wherever he wanted to go. (Payments were always in advance, because of the constant fear of getting caught.) Moving around more freely than before, he witnessed Al-Qaida setting up training camps in the country, just a year before 9/11, but also a secret school for girls. One day, his luck ran out, and he was attacked by the 'vice and virtue police', beaten up, and expelled from the country. He never found out what happened to his translator, who was dragged away in the scuffle.

How a nation can sink into an abyss

Unable to return to Afghanistan after that, Mr Filkins moved back to New York. When he saw the twin towers go up in flames, with F-16s circling around, he immediately understood what had happened. He got another chance a few months later to travel to Afghanistan, when the New York Times asked him to cover the war. Initially, the campaign went well, with people cheering US troops in every village, and women throwing off their burqas. It even looked like the battle would soon be over. Slowly,

however, the situation turned for the worse, eventually becoming a quagmire that is no better today, 16 years later.

...bad government...

Broadly, three things have gone wrong in Afghanistan – none of which have been properly addressed to date. First, the US-backed government was imbued with massive power and money, but no accountability. It was so corrupt that the US Army even coined a special term for it – VICC, or Vertically Integrated Criminal Enterprise. Vast amounts of money flowed in, and government officials busied themselves grabbing as much of it as they could, even extorting much of the little money that flowed through to the local population. The widespread hatred for the government has, over the years, become an effective engine of recruitment for the Taliban – and regardless of who is in charge, its essential character has not changed at all.

...and external meddling

Pakistan, and the double game it is playing in Afghanistan, is the second factor. For years, it has happily taken billions of dollars in US aid, allowing its supply lines to run through the country, while at the same time lending support to the Taliban. The US understands what Pakistan is doing, but concerned that this nuclear-armed state could collapse if pushed too hard, it holds back from being overly confrontational. Mr Filkins has personally met Taliban warlords in the ‘bad-lands’ of Pakistan’s FATA tribal region, who sit around unconcerned while the military *supposedly* runs operations to ‘flush out’ people like them.

The third, critical factor that sent the Afghan war spiralling downwards was US intervention in Iraq. Just when things were looking up, the US decided to launch its invasion of that country. Troops and money got pulled out in vast quantities, redirected to the Middle East. More importantly, America took its eye off the ball in Afghanistan, and never really put it back. The Taliban got some much-needed breathing space, and within two years, it was back in full force.

IRAQ: ANOTHER QUAGMIRE

In 2003, Mr Filkins was asked to follow the invading US forces all the way to Baghdad. The US destroyed the state, and then spent the next 14 years trying to rebuild it to a point where it can stand on its own. The venture has seen its ups and downs, but so far, it has proved a failure. The heart of the problem is that Iraq is a country that was drawn on the back of an envelope in 1920, with Sunnis, Shias, Kurds and Christians forcibly held together for decades by the ‘steel frame’ of Saddam Hussein’s dictatorship. When that ‘frame’ was destroyed, there was no real national feeling to bind people together, and the situation exploded. Thousands have been killed and billions spent, but America, whilst good at invasions, is not very good at empire building. It lacks both patience and local knowledge and is better at bombing a place, than governing it.

Heavy-handed execution and unintended consequences...

Mr Filkins lived in Iraq for 4 years, and, just like in Afghanistan, what he saw there was a situation that quickly fell apart after the initial, euphoric phase. The same sort of dynamics held in both countries: if a bomb would explode under an American tank, all of the local men would be rounded up and shipped off to Abu Ghraib. More generally, the minority Sunni Arab population, which had ruled Iraq for much of its history, found itself displaced, with the majority Shias suddenly put in charge. Ultimately, that is what spurred the insurgency that resulted. Worse, by 2011, when the situation seemed to be stabilising, Barack Obama came in, promising to pull out the last troops by end-2011. Al-Qaida at that point was almost completely defeated, but as the US left, the Syria rebellion began, and the remnants of Al-Qaida were reborn as the Islamic State. Even as the Islamic State is now being systematically destroyed, the conditions that gave rise to it – the marginalisation of the Sunni minority – have not really changed.

Nor is clear when, if ever, the US can withdraw its remaining troops, which currently number about 25,000. In both countries, America faces a terrible dilemma. It does not know *how* to leave, and

everything it has tried doing to repair the situation has failed. In retrospect, American generals are willing to admit that they have actually ‘lost’ both wars, going into them, as they did, wholly unprepared. Given a chance to re-do things, they would perhaps have taken a very different course. Be that as it may, there *are* no good choices left, and all that America can do is kick the can down the road, keeping enough troops on the ground to ensure that the situation remains in control.

FOREIGN POLICY UNDER DONALD TRUMP

Within America, this is clearly a very odd time, with the administration itself deeply split in any number of ways, including, critically, on foreign policy. To his credit, Donald Trump has appointed some very levelheaded people, including Generals Kelly, Mattis and McMaster. All of them are ‘tough’ individuals, but also very sober about the use of force in defence. They will, in all likelihood, continue to exert a restraining influence on the administration. The worry, though, is what happens if one or all of them decide or are forced to leave – though, reportedly, they are actively working to protect each other.

The Middle East will remain a key focus area. Mr Trump himself is obsessed with Iran, having denounced the nuclear agreement during his campaign. Today he is extremely concerned (not entirely unjustifiably) about the sphere of influence Iran has built all the way from Iraq and Syria to Lebanon, opening for itself a road to the Mediterranean – something that even the Persian Empire could never achieve. There is much talk emanating from the White House of ‘rolling back’ this new reality – something that should make everyone nervous, especially given the closeness Mr Trump and his team have developed with the Crown Prince of Saudi Arabia. At least in part, the Saudis’ recent aggression in Yemen and Lebanon stems from the empowerment they have received from the US. Internally, Saudi Arabia faces major problems, including a massive drawing-down of its foreign reserves on account of low oil prices. To his credit, the Prince understands the challenges, and sees that it is in his country’s self-interest to change course radically, which is why he has launched a number of internal reforms.

Looking beyond the Middle East, the US faces challenges in terms of China, North Korea, and Pakistan. With China, the main tensions revolve around its rising ambitions – embodied, for instance, in the New Silk Road – as well as the North Korea situation. Meanwhile, fears of a collapsing, nuclear-armed Pakistan are a major concern for agencies like the CIA. Reportedly, there are teams of US Special Forces ready to move into the country and take control, in an extreme situation, of its nuclear arsenal – though it will be a challenge to find *all* of it. However, what is most alarming of all, particularly for Asia, is the very real prospect of a US war with North Korea. Inside reports suggest that the administration is starting to conclude that nuclear-armed ICBM in Kim Jong-Un’s hands is a worse situation than a quick, decisive war.

QUESTIONS AND ANSWERS

What is the endgame for Syria?

It is very difficult to see a clear endgame in that situation. Mr Assad has hung on to power, backed by the Russians, the Iranians, and several thousand Hezbollah fighters. The Syrian population is overwhelmingly Sunni, who hate Mr Assad and his clique of supporters, who are part of a minority sect. The Sunnis will keep fighting until he is gone, so Mr Assad cannot be part of any long-term solution. On the other hand, like Mr Obama, Mr Trump has no appetite for nation building, which is why the calls for driving Mr Assad out have died away.

How realistic are chances of the Trump presidency unravelling because of the Mueller probe?

Robert Mueller is a man of great integrity – he was once a platoon commander – but also an aggressive prosecutor who is getting closer by the day to figuring out what happened in terms of Russian involvement in last year’s election. The Trump administration is clearly nervous about this development. On the other hand, the US is a very divided country right now, and it is possible for Mr Trump to continue to say outrageous things without losing the backing of his supporters. His core constituency is very large, and includes a conservative media ecosystem that will not criticise him, and which seems to live in an echo chamber much like his own. It is therefore very plausible that he

could get away with firing Mr Mueller and ending the Russia investigation. The only thing that can stop him is if the House turns Democratic next year, opening the minor possibility of his impeachment.

What is America's view of the Indo-Pakistan dispute over Kashmir?

India effectively 'won' the PR contest with Pakistan a long time ago. Starting in the late 1990s, the two countries started to come together after years of friendly-but-chilly relations. There is now a mutual recognition of their significant common interests and economic bonds. Pakistan is viewed as being on the brink of failure – and if one still hears sympathetic views in the US towards Pakistan's position on Kashmir, it is only among those who do not know much about the situation. On the flipside, there is a greater recognition today that Pakistan *needs* Kashmir (and the *supposed* ills that India is inflicting on it) as a rallying cry to hold that country together. There is no prospect of the US administration trying to get involved in the bilateral dialogue.

List of Participants

(In alphabetical order of company represented)

Adobe	Sunder Madakshira, <i>Head of Marketing</i>
Adobe	Arati Bam, <i>Head of Marketing</i>
Adventure Beyond Barriers	Divyanshu Ganatra, <i>Founder</i>
Aegis	Sandip Sen, <i>Global Chief Executive Officer</i>
Allcargo	Shashi Kiran Shetty, <i>Chairman and Managing Director</i>
Ambit	Rahul Gupta, <i>Co-Group Chief Executive Officer</i>
Arthur D Little	Srini Srinivasan, <i>Managing Director</i>
Aurum Equity	Sanjay Bansal, <i>Managing Partner</i>
BAG Electronics	BS Praveen, <i>Chief Executive Officer and Managing Director</i>
Barclays Wealth	Satya Narayan Bansal, <i>Managing Director, India</i>
Baring Private Equity	Rahul Bhasin, <i>Managing Partner</i>
BenQ	Rajeev Singh, <i>Managing Director</i>
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Clarion	KN Lakshmanan, <i>Managing Director</i>
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Exide Life	Kshitij Jain, <i>Managing Director and Chief Executive Officer</i>
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Fortum	Sanjay Aggarwal, <i>Managing Director</i>
Foseco	Sanjay Mathur, <i>Managing Director</i>
GE Industrial - Energy Division	Deepesh Nanda, <i>Chief Executive Officer</i>
GNA Enterprises	Gurinder Singh Sihra, <i>Joint Managing Director and Chief Executive Officer</i>
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Howden Insurance	Praveen Vashishta, <i>Chairman – India, Middle East, Turkey & Africa Region</i>
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Ind-Ra	Rohit Sawhney, <i>Managing Director and Chief Executive Officer</i>
JAN-PRO	Pulin Shroff, <i>Managing Director</i>
JK Technosoft	Sanku Bose, <i>President and Global Chief Executive Officer</i>
Johnson & Johnson	Sanjiv Navangul, <i>Managing Director - Janssen India</i>
Kimberly-Clark	Suryakant Pandey, <i>Managing Director and CEO – South Asia</i>
Kohler Power	Rajesh Bagga, <i>Director</i>
Kronos	James Thomas, <i>Managing Director</i>
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Lepton Software	Rajeev Kumar Saraf, <i>Chief Executive Officer</i>
Lumis Partners	Aditya Malik, <i>Chief Executive Officer and Managing Director</i>
Luxottica	Akash Goyle, <i>Managing Director</i>
Macdermid	Ravi Bhatkal, <i>Managing Director</i>
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MAST Global	Murali Sundararajan, <i>Vice President and Managing Director</i>
Max Life Insurance	Rajesh Sud, <i>Vice Chairman and Managing Director</i>
Max Skill First	Rajender Sud, <i>Chief Executive Officer</i>
McCain Foods	Vikas Mittal, <i>Managing Director (India and Sub-continent Region)</i>
Mindmill Software	Suchin Gupta, <i>Chief Executive Officer</i>
Ministry of Skills and Entrepreneurship, GoI	KP Krishnan, <i>Secretary</i>
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Natural Remedies	Anurag Agarwal, <i>Managing Director and Chief Executive Officer</i>
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Netmagic	Sunil Gupta, <i>Executive Director and President</i>
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RealPage	Sanjeev Sudheer, <i>Managing Director</i>
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Sanctum	Shiv Gupta, <i>Founder and Chief Executive Officer</i>
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Solvay	Mukesh Malhotra, <i>Country Manager and Managing Director</i>
Soothe Healthcare	Sahil Dharia, <i>Founder and Managing Director</i>
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Sustainable Sciences	Abhijeet Birewar, <i>Founder</i>
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Tata Sons	Gopichand Katragadda, <i>Group Chief Technology Officer</i>
TCI	Chander Agarwal, <i>Managing Director</i>
TCI Global	Shrirang Samant, <i>Country Head and Chief Representative - India</i>
Technicolor	Biren Ghose, <i>Country Head</i>
Telstra	Upendra Kohli, <i>Managing Director – South Asia</i>
Tenneco	Gangasagar Hemade, <i>Vice President and Managing Director</i>
ThoughtWorks	Sudhir Tiwari, <i>Managing Director</i>
Tieto Software Technologies	Nilesh Sahasrabudhe, <i>Country Manager</i>
TransOrg Analytics	Naveen Jain, <i>Chief Executive Officer</i>
Velankani Information Systems	Kiron D Shah, <i>Managing Director</i>
Velocis	Atul Bansal, <i>Managing Director</i>
Willis Towers Watson	Rohit Jain, <i>Head of Indian Subcontinent</i>
Wipro Consumer Care and Lighting	Vineet Agrawal, <i>Chief Executive Officer</i>
WWstay	Rajeev Goswami, <i>Founder and Chief Executive Officer</i>
XL Catlin	Derek Nazareth, <i>Managing Director, Head of Global Operations and Country Head</i>
	Arun Bewoor, <i>Former India Head IFF, IMA Alumnus</i>
	Anuroop Singh, <i>Former Chairman Max India, IMA Alumnus</i>
	Hema Ravichandar, <i>Strategic HR Advisor</i>
	Dexter Filkins, <i>Pulitzer Prize winner, Author, The Forever War, War Correspondent Time, Columnist, The New Yorker</i>
	Swaminathan S Anklesaria Aiyar, <i>Journalist, Columnist, Author</i>
	Jonty Rhodes, <i>Cricketer, Coach</i>