

Foreign Secretary's Virtual Address to ICAI on Implementing the Vision of Aatmanirbhar Bharat (July 06, 2020)

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Distinguished members of ICAI

I would like to thank the Institute of Chartered Accountants of India for giving me the opportunity to interact with its members, who are joining us from not only India, but also from overseas chapters spread across 35 countries. I also thank Shri Mahaveer Singhvi, Joint Secretary in the Ministry of External Affairs, who is also honorary member of ICAI's International Affairs Committee, for facilitating this interaction.

2. I wish to congratulate ICAI on the occasion of its 72nd foundation day. As President of ICAI has mentioned, the Institute with over 3.5 lakh members, 40,000 of which are based abroad, can contribute significantly to our objectives of securing greater foreign investments, joint ventures, mergers & acquisitions etc.

3. The COVID-19 pandemic has been the largest crisis to hit humanity since the Second World War. The last such pandemic was the Spanish Influenza in 1918. COVID-19 has already cost us over 500,000 deaths and countless livelihoods. It has caused severe economic hardship to our people as the impact of the pandemic on the economy has been extremely sharp. International financial institutions have projected a contraction of nearly 5% in global output in 2020, and a cumulative loss to global GDP of around USD 12 trillion. The world has not seen economic contraction of this magnitude in many decades.

4. The primary cause of the disruption is the pandemic. As such how quickly the global economy recovers from what the IMF has referred to as the "Great Lockdown" depends on how soon the pandemic is controlled. Countries are nonetheless making efforts to resume economic activity to the extent possible. As India enters Unlock 2.0, our Government's efforts are geared towards further expansion of economic activity while not letting our guard down.

5. We have been proactive in assessing and dealing with the challenges caused by COVID-19. Saving lives has been our foremost priority. On this count, while our case load continues to be high, we have fared comparatively better than many other countries with a low death rate and high recovery rate. This can be attributed to early steps to protect and insulate our people. We have also substantially ramped up our capacities in the healthcare sector in the past few months. Government has channelled public resources to the healthcare sector for the development of hospitals, emergency rooms, provision of equipment and supplies, and training of healthcare professionals.

6. To deal with the economic challenges posed by the pandemic and bring our economy back on track, the Prime Minister has enunciated a forward-looking economic approach under the rubric of Aatmanirbhar Bharat Abhiyaan. The stimulus package of nearly USD 270 billion (Rs 20 Lakh Crores) launched by the Prime Minister under the Abhiyaan aims to both reinvigorate the economy and provide a social safety net to our vulnerable sections. The vision of Aatmanirbhar Bharat, as the Prime Minister said, will stand on five pillars of: economy; infrastructure; our system driven by technology; demography; and demand. Achieving rapid growth and development will depend substantially on

successful integration and assimilation of all of these factors.

7. As part of welfare measures, India launched one of world's largest food security programmes, Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), early in the lockdown. PMGKAY covers 800 million Indians, and prioritises nutrition for the most vulnerable sections of our society. This has now been extended to November 2020. In addition, over USD 4 billion have been transferred to bank accounts of 200 million poor families and around USD 2.5 billion to accounts of 90 million farmers. Government is spending over USD 6.5 billion to generate employment in rural areas. Quick and effective delivery of these welfare benefits has been made possible due to successful efforts in the last few years towards financial inclusion and creation of digital infrastructure.

8. The Abhiyaan is aimed at not only mitigating the socio-economic impact of the pandemic in the short term, but instilling confidence in our businesses and industries; making our manufacturing globally competitive; integrating our agriculture and small farmers with global food supply chains; and embracing both investment and technology. The size of the economic relief and stimuli measures under the Abhiyaan is equivalent to 10% of India's GDP. Structural reforms and relief measures under the Abhiyaan cover every section of the Indian economy, including small farmers, migrant workers and labourers, agriculture, the MSME sector, small businesses, start-ups, industrial infrastructure, healthcare, and education, among others.

9. Private sector participation has been given a big push in eight areas, including coal, minerals, defence production, civil aviation, power distribution, social infrastructure, space and atomic energy. New Public Sector Enterprise policy will be a significant step in enabling private participation in a greater number of sectors. You would have also seen Government's plans to invite private players to run trains on certain routes and modernize our railway stations. These are just a few examples of opening previously restricted sectors to private participation. The Government has also made access to affordable capital easier for small businesses, which are important economic engines and job creators. These reforms aim to level the field for Indian industry, the growth of which has been hampered by complicated laws and regulations.

10. MSMEs, the backbone of our industrial economy, have been provided with a massive economic relief package. This includes extension of CRR relief on MSME loans; injection of additional liquidity in the economy to the tune of USD 18.3 billion (Rs 137,000 crore); and extension of emergency credit lines to MSMEs from banks and NBFCs up to 20% of the entire outstanding credit. This measure alone will benefit 4.5 million MSMEs. I have provided only a snapshot of the measures announced. Taken together, they offer a huge opportunity and I have faith Indian enterprise will grab it.

11. The successful implementation of the vision of Aatmanirbhar Bharat would take, as noted recently by Shri Suresh Prabhu, MP – India's Sherpa to G-20 – and Shri Pradeep S Mehta of CUTS International, institutionalization of certain key principles. These include addressing basic needs of our people, ensuring equitable distribution of economic output, recognizing importance of labour and promoting labour-intensive industries, developing indigenous technology and decentralizing production processes. Interestingly, they also bring out that nature is to be utilized, not killed; ecological factors, balance of nature and requirements of future generations should never be lost sight of.

12. I had in an earlier address conveyed my view that that the idea of self-reliance or Aatmanirbharta does not mean seeking self-centred arrangements or turning the country inwards. The call for Aatmanirbharta is not about reverting to economic isolationism. Its essential aim is to ensure India's position as a key participant in global supply chains. Through building capacities at home, we also intend to contribute to mitigating disruptions in global markets. It is important to identify products and commodities where India has the ability or potential to expand domestic production and enhance global availability. True, we cannot make everything – but we can certainly make many, many more things

than we currently are. As such there is no contradiction between an India that is building its economic capacities, and an India that is looking to play a bigger role in global business, trade and innovation.

13. In addition to domestic stimulus and welfare measures, global engagement and cooperation are critical to deal with the pandemic and ensure economic recovery. Countries need to pool their efforts and resources to develop vaccines and therapeutic treatments to contain the virus, while working together to ensure that the economic fallout of the pandemic is mitigated. India remains strongly committed to this and was among the first countries to recognise the need for global engagement on the COVID-19 crisis. We took the lead in engaging world leaders for evolving a coordinated response. A virtual conference of SAARC leaders was hosted by India at the Prime Minister's initiative. The Prime Minister also encouraged early convening of the virtual G-20 summit. Later he spoke at the virtual Global Vaccine Summit, where India pledged USD 15 million to GAVI, the international vaccine alliance. The Prime Minister also highlighted that during the pandemic India had tried to live up to the teaching of seeing the world as one family, Vasudhaiv Kutumbkam, by sharing medicines with over 120 countries, by forging a common response strategy with its neighbouring countries, and by providing specific support to countries that sought it, while also protecting our own vast population. He also pledged solidarity with the world along with our capacity to produce quality medicines and vaccines at low cost, our domestic experience in rapidly expanding immunization, and our scientific talent.

14. The COVID-19 pandemic has generated debate about the future of globalisation and the structural limitations of the international order. Virtual summits of global leaders have been useful platforms at which to highlight shortcomings of existing arrangements for global cooperation, and to share India's vision of a new, people-centric template for multilateral cooperation. This formed the thrust of the Prime Minister's interventions in the virtual summits of the G-20 and NAM, to cite two examples. He highlighted the limitations of the existing international system and globalization in which individual countries cooperated to balance their competing interests instead of advancing our collective interests. The Prime Minister underscored the need for reorienting globalization to focus more on human welfare in the post-COVID world. He also highlighted how global initiatives such as the International Solar Alliance or the Coalition for Disaster Resilient Infrastructure launched by India in the last few years have been aimed at fostering a more human centric international system.

15. The pandemic has greatly affected our professional lives, and this applies to diplomatic activities as well. COVID-19 has disrupted diplomatic calendars causing almost all international meetings and summits to be cancelled. While face-to-face meetings with counterparts have traditionally been considered essential to resolve complicated issues or conduct difficult negotiations, diplomatic engagement cannot be allowed to stop in their absence. A crisis of this magnitude has required a coordinated global response, making sustained communication between countries all the more essential. The increase in tensions in different parts of the world, including on the Line of Actual Control between India and China, have only emphasised the criticality of continued communication.

16. Diplomacy has adapted to the new situation and gone strongly digital. Even though a few world leaders have recently restarted physical meetings, virtual meetings have been the dominant mode of engagement – and will probably continue to remain so till we get an effective vaccine. India has been at the forefront of such digital diplomacy. I had mentioned earlier how the Prime Minister quickly turned challenge into opportunity to start global conversations using virtual platforms. He also held, for the first time, a bilateral virtual summit with the Australian Prime Minister. In addition, he has spoken to counterparts from as many as 60 countries.

17. On his part, the External Affairs Minister has reached out to foreign ministers from 76 countries. He has also attended meetings of the BRICS, SCO and RIC groupings, and a joint meeting with his counterparts from the US, Australia, Japan, Brazil and South Korea. I have remained in touch with colleagues from the US, the EU, Russia,

Australia, Maldives, Germany and France, and a group of countries from the Indo-Pacific region. Recently, incoming ambassadors and high commissioners presented their credentials to the President of India using video conference facilities. At the Ministry of External Affairs, we are attempting to find common ground between time-honoured diplomatic protocols and new-age Internet protocols!

18. Virtual diplomacy has been complemented by efforts on the ground to deliver medical aid and assistance. This has included supply of essential medicines, test kits and protective gear worth around USD 11 million (Rs 82 Crores) to 89 countries. We undertook a number of medical supply missions across the world, from South Asia to South America and from Australia to Africa. In this journey, we overcame daunting logistical challenges and so retained, and possibly enhanced, our reputation of being the pharmacy to the world. We also deployed rapid response medical teams to the Maldives, Kuwait, Mauritius and Comoros to deal with the pandemic. Even in these difficult times, India has remained dependable and responsive in living up to its international commitments.

19. As health security and health supply chains move up on the priority lists of the world's governments, India must prime itself to emerging opportunities. Indian diplomacy will support this process all the way. This is in line with the overall vision of Aatmanirbhar Bharat, and the Ministry of External Affairs is actively engaged in promoting India as an alternative manufacturing and innovation destination. Our Missions are identifying export and investment opportunities for our businesses in various countries, and are working closely with industry associations. In addition, we are constantly engaged with global corporations looking to diversify manufacturing locations. The idea is to provide such industries with a compatible business environment, to leverage India's domestic demand, and bring investment and of course jobs into our country.

20. A preliminary assessment by our Missions indicates that in the short term we can expand our presence in the global value chains in sectors where we have been traditionally strong. We can leverage existing capabilities in sector such as textiles and apparels, gems and jewellery, chemicals etc. by scaling up production to cater to a wider demand both locally and globally. In the medium and long term, we need to move up the value chain in sectors such as electronics, pharma, engineering and design outsourcing etc. where we are present but have the potential to do more. Eventually, we need to target high value added activities while continuing to build our lead position in basic manufacturing. We also need to work on development of technology and intellectual property across industries.

21. An area, which would be of special relevance to the members of ICAI, and which we see as important for economic growth is Fintech. It can be transformative for financial inclusion promoting growth and opening access for poor and rural communities through lowered costs. I am happy to note that there was an increase of around 40% in the funding received by Indian Fintech companies in the first quarter of 2020. We intend to build on our domestic successes in Fintech and utilize our capabilities in replicating our digital platforms and e-Governance initiatives in partner countries under our Development Partnership Framework and on a commercial basis. We are also working with several countries on making our digital payment systems interoperable. Our payment systems such as the Rupay card have already been launched in Singapore, Bhutan, UAE and Bahrain. The Prime Minister had earlier launched a global digital platform, APIX, to connect Fintech companies and financial institutions.

22. Industry associations such as the ICAI are a critical part of our economic diplomacy and outreach. Such associations are important stakeholders in policy making. They also contribute substantially to showcasing and promoting our economic potential abroad. In the current context, Indian industry needs to come up with business models that are easily adaptable and ensure that economic activity continues to run smoothly even in a crisis. We will need to build in redundancies. We will need to re-evaluate our over-reliance on a particular country or region as a source of ingredients, components or feedstock for key industries. Our businesses need to ensure international supply chains remain efficient

and resilient not just now but in a post-COVID period as well. Recovery from this crisis must include anticipation of the next crisis.

23. There are lessons we are learning in all contexts and domains – whether in diplomacy or the economy, whether in policy making or in society. I am confident they will serve to strengthen our systems, our resolve and our country as we put our current challenges behind us.

24. With that, I must thank you once more for inviting me. My very best to all ICAI members. Stay safe and stay accountable.