

Foreign Affairs Committee

Oral evidence: [Global Britain and India 20 11 18 am, HC 1465](#)

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Members present: Tom Tugendhat (Chair); Stephen Gethins; Priti Patel; Mr Bob Seely.

Questions 42-86

Witnesses

I: Dr Abraham, CEO and Senior Fellow, IDFC Institute.

Examination of witnesses

Witness: Dr Abraham.

Chair: Welcome to this morning's session of the Foreign Affairs Committee, Dr Reuben Abraham. Thank you for joining us.

Q42 Priti Patel: Dr Abraham, I would be very interested to hear your view of the strength, or the depth and warmth, of the bilateral relationship between the two Prime Ministers when it comes to some of the big issues of the day, where the Indian relationship is constantly questioned and challenged, such as visas. Do you think that the relationship is strong enough to have the strategic discussion that is required about visas, rather than looking at it from a binary perspective, which is clearly the way Indians, and I guess the Indian Government, feel about the way the UK handles the whole visa issue?

Dr Abraham: Let us take a step back. There is also a societal issue here, which is that western societies tend to be transactional, and India tends to be an extremely relationship-based society, so the warmth of any kind of relationship has to come out of the relationship-based nature of any interaction between the two countries. That is where the emotive nature of the visa issue begins to kick in, as I described earlier.

Visas should 100% not be part of any strategic dialogue, but no matter which dialogue you engage with India on, whether you are the US or the UK, if you are engaged with India on a strategic dialogue, visas will always top the list of concerns, but it is not a strategic issue; it is a tactical issue. The reason why that happens is because it is hugely emotive.

I am not sure that people here fully understand the amount of trouble that one has to go through to actually just visit. As I was saying earlier, I am married to a European, and the trouble I have had to visit Europe just to visit my in-laws is extraordinarily painful. That gets caught in a loop of reciprocity, and depending on who the High Commissioner or Ambassador is in a given country, it becomes very personal—they treat us badly so we need to reciprocate. It goes into that loop.

Q43 Mr Seely: I know that we are looking just at India, but this is part of a wider issue. There are countries in the world that are transactional, because the law system has basically worked, so you do not actually have to be nice to somebody—you just have to swap something that you want and I want, and provided we trust each other's lawyers enough, we do that. There are other countries in the world where maybe the legal system has not worked so well, or where there is a cultural tradition, and it is much more relationship based. More broadly—I know you are trying to focus on India, so I do not want to take you away from that—in a transactional, law-based part of the world, how do we better understand relationship cultures in places such as India?



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Dr Abraham: You have hit the nail on the head. The only addition that I will make to that is about low-trust environments. In any low-trust environment in the world, you are going to see the problem that the institutions of trust do not necessarily exist or are not well founded, so trust builds through repeat interactions.

Q44 **Mr Seely:** That is why you need lots of people on the ground having lots—

Dr Abraham: Exactly. It requires an enormous amount of trust building.

Q45 **Mr Seely:** To go back to Priti's question, what specifically can we advise the Foreign Office to do to get around the issue of visas? We are going to have a new immigration regime and a new visa regime. It should be better for Indians—certainly smart Indians with PhDs, people who are highly educated and so on. Do you see this as an answer or is there still going to be a problem?

Dr Abraham: There is a two-part response to that. The first is that there is a genuine concern in the UK vis-à-vis countries such as India, which is totally fine. The way to do it, in my opinion, would be to make it easier for repeat visits. If somebody has been visiting a country for 20 years, don't make it harder in the 20th year. That does not help anyone.

I will just mention the Schengen area. Friends of mine have had 35 Schengen visas and the 36th Schengen visa is for seven days. Come on—that's just pointless; it doesn't serve anybody well. So that is one part of the answer.

The other part of the problem is the student visa question. That is a huge problem if I look at it from a UK perspective. I have not looked at the most recent numbers, but I think New Zealand is beginning to catch up with the UK, in terms of Indian students studying in the country. I think that is terrible: India and the UK have a very long history. Part of it is just the money—just the monetary piece of having X thousand students studying here and so on.

Then there is the soft power piece of this, which is the fact that when 50 or 60 Heads of State have studied in the UK at some point in time, that builds an enormous relationship. For instance, I studied in the US, so the US will always remain my go-to place. There is enormous warmth for the country—it's all those things. So the fact that fewer than 15,000 Indian students study in the UK today is, I think, a huge problem. Compare that with the US: 196,000 Indian students are in the US every year. Canada has over 80,000.

Q46 **Mr Seely:** How many do we have?

Dr Abraham: It will be in the low teens—I don't know the exact number.

Q47 **Stephen Gethins:** I would like to build on an answer that Dr Abraham gave Priti earlier. I just have two quick questions to build on that. One is just for our understanding—for those of us who don't have to jump through these hoops. In terms of us dealing with people from India, can



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you explain a bit about the visa process that they will have had to go through by the time we actually see them? The second question is on the student visa issue. I come from a part of the United Kingdom that is in desperate need of immigration; we are desperately keen to keep the students we get. What impact is the system having on universities, employers and others in the United Kingdom who want to attract the brightest and best to the United Kingdom and keep them afterwards?

Dr Abraham: Let me answer your first question first, because I just renewed my UK visa; I just got a 10-year UK visa because my last visa just expired. I think it took my assistant about six hours just to fill in the forms. I think the most painful piece of this is the question that says, "Tell us every country you have been to in the last 10 years, with entry and exit dates." I have been to about 50 countries in the last 10 years and have made repeat visits, so we are talking about at least 200 visits, which my assistant has not tracked back. I don't know whether I should just put down 15 countries and let it go. If I do, am I breaking the law? I don't want to run that risk, so I go through the painful process of putting it all through.

Then comes the problem of how long it takes to process it. Typically, if you are talking just about regular processing, it takes 15 to 20 business days. Let us say that you are talking about somebody like me. I can't afford to leave my passport for 15 to 20 days, so I have to go through a fast-track process, which costs a lot of money. What has the entire process just cost me—the 10-year visa, plus the fast track? It is about twelve hundred pounds. That is absurd. I just renewed my 10-year US visa and it cost me \$100. So I think there are easy steps that you could take, at least for repeat visitors—just to make things easier for repeat visitors.

Your second question was on student visas. Let me give you a little bit of context, which is very useful. The top commerce and business college in Delhi is called the Shri Ram College of Commerce. This year, to get admission to the Shri Ram College of Commerce, the cut-off was 100%. If you didn't get 100%, you would not even have a shot. At 100%, you would be considered, so you have absolutely got to have maxed out even to be considered. Think of all the students who are between, say, 85% and 100%, who are clearly very bright but have no chance of going anywhere near a top Indian university. My nephew just went through this process, and he is in Newfoundland. I would be hard-pressed to find Newfoundland on a map, but that is where he is. It is a humungous opportunity going to waste.

Australia has been through this problem a little bit. A lot of students were admitted to vocational courses to become barbers and so on. You could make the argument that that is totally unnecessary, but the way around it is basically to create a list of, say, 100 universities in the UK and say, "If you are part of any of these universities and you have shown that you can pay for it, let me stop harassing you."

I think this is a bigger problem. The approval rate for visas at the British High Commission in India is about 90%. So 90% of student visas that are



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applied for get approved, but fewer than 15,000 students actually come. That is a bigger problem. The perception has now seeped in that the UK is not a good place to go.

Q48 **Mr Seely:** Because it is unfriendly.

Dr Abraham: It is very, very unfriendly, and they cannot stay to work for two or three years after.

Q49 **Mr Seely:** If we had a visa regime that let you stay for a year or two to get some work experience—

Dr Abraham: Some work experience, and get some money, because most of these degrees tend to be expensive and they can at least pay some portion of it back, and then they go back. Once the perception has set in that the UK is unfriendly, that is very hard to change. For instance, my nephew didn't even consider the UK.

Q50 **Priti Patel:** I want to talk about the economic transformation that has taken place in India, but before we do that—this links to visas and the bilateral relationship—what is your perception of the United Kingdom's relationship with India? Do you think it is a sloppy relationship? Do you think we have taken it for granted over the years? Do you think we have not progressively sought to understand the transformation, the dynamic and the reform that has taken place, even over the past 20 years, in terms of the political perspectives in India, the political economy and the way that things have shifted in quite a big way?

Dr Abraham: I agree 100%. Just to give you a simple example, my great grandfather was a bar-at-law in London. No one from my family has since been to the UK to study; they have all gone to the US. Given the depth of the relationship between the two countries, it is completely underweight at every level. Maybe you can describe it as a sloppy relationship. I just think that, given the history and all that, the relationship should be way—

Q51 **Mr Seely:** Why?

Dr Abraham: That is a good question. I don't have a readymade answer, but I think that part of it is that, as you said, it has been taken for granted. Then the perception that the UK is a very unfriendly place has crept in. There have been no proactive measures to get over that. For instance, the same problem existed in Australia around 2007-08, when a lot of Indian students got attacked. There was a bunch of things that came up—"Don't go to Australia"—and you saw a drop in students going to Australia. Then the Australians appointed Peter Varghese as the High Commissioner, and he did a lot of work to repair the relationship. Today you are seeing an uptick in the number of students going to Australia. I think this requires very proactive stuff on both sides, to be honest.

Q52 **Mr Seely:** The history isn't a perfect one, because there is obviously India's part in the British Empire. Isn't there a sense from the political classes in India that they don't necessarily want as deep a relationship as the one Britain has with Australia, regardless of ethnic composition or indigenous communities?



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Dr Abraham: Broadly speaking, there is a certain part of the political establishment that feels that way, but there is also a certain part of the political establishment that is deeply Anglophile. Why has that not been leveraged far more than it has? Every single one of our founding fathers studied in the UK. They were deep Anglophiles. I do not see the payoff from those kinds of relationships, and I think that is partially because, certainly in the past 20 years, India's image of itself has changed dramatically. It does not see itself as a recipient state—I mean, we look to the UK for development aid—so a lot of this stuff has dramatically changed. India's perception of itself has changed, and that may also play a role in all of this. This requires proactive measures on both sides, not just from the UK.

Q53 **Priti Patel:** Can I take that further? I went on to the website of my former Government Department to look at approximate figures for the amount of money that the United Kingdom invests in India, and I think for 2018-19 it is around £58 million—£28 million of that is on technical assistance and £30 million is on development capital.

Are we getting the balance right? There is this view, which links to foreign policy but also to economic development and the mix that we have in our bilateral relationship, that if we are putting money in, we should be getting something back. You have mentioned the term “transactional”, and the question back to us is whether we are simply not applying the right kinds of levers and doing the right kinds of transactions to help build that friendship, that relationship, and that living bridge between the two countries.

Dr Abraham: This is obviously my biased view, but I think development aid out of the UK is just badly targeted. I do not think that India should be the recipient of development aid any longer, because there is enough money inside India to take care of a lot of these problems.

That does not mean that the UK cannot help. As someone who works on state capability sitting in India, the way I look at the UK is “rule of law” and “institutional strength”. Help us build our institutions. Let me give you a small example, which is arbitration—our commercial courts and our dispute resolution mechanisms. Help us build those things. Those are the places where the UK can play a very constructive role, as opposed to “Let me give \$10 million to Bihar.” That is meaningless.

Q54 **Priti Patel:** You will know of the Commonwealth Development Corporation, which is expected to double its portfolio for big purposes, and that is all strategic. Do you think that is the right kind of approach in terms of economic development and growing the economy in light of the wider reforms that have been taking place in India, including on the liberalisation front?

Dr Abraham: I think CDC is the third largest investor in my parent corporation. CDC has a commercial portfolio, and I think it aims its investment extremely well via infrastructure finance—so infrastructure and those sorts of things. What has gone missing is this institutional piece. You could also make the argument that London is the preferred place for



arbitrating cases in India, but actually, helping India build its own internal capacity for dispute resolution would be very constructive. It has technical capability at that level. If you can transfer that, I think a lot of value added can come out of it.

For instance, our capital market regulators were helped a great deal by USAID back in the day, and the pay-off is happening today as the depth of the capital markets gets to be really substantial. I would think about it as lending institutional strength and capability. Of course, all of this assumes that there is a willing partner at the other end, but I am saying that if there is a willing partner at the other end, these are the sorts of things I would really think about.

- Q55 **Priti Patel:** To flip that to the other side of the coin, I know—both from my time in government, and because I see this extensively—that we constantly hear from Government Departments in the UK, and also British businesses in the UK that do business in India, that there are issues in terms of transparency, regulation, and so on. It seems from the point you are making that we are not even offering the ability, the skill set, to do something about that. All we seem to do is present the cases of X or Y company—just pure lobbying, rather than actually understanding the depth of the change that needs to happen in-country, where we can actually be a participant and an actor.

Dr Abraham: Exactly. Thinking about telecoms regulation for a second, just consider the role that Ofcom could have played. “How do you set up best-in-class regulatory mechanisms for telecoms?” Those are the things that would be genuinely helpful.

On the business environment, there is no question about the fact that there is a lot of window dressing in India. I mean, things have improved—there is no question about that—but there is also a lot of window dressing, without real reforms at the back end of it. There have been reforms, but I don’t think they are anywhere near as substantive as they should be. The fundamental point remains: India needs to fix its plumbing. Both development aid and the Indian Government’s efforts tend to focus on the symptoms, not on the underlying diseases. If the plumbing is broken, it is a bit like pouring water into a bucket with a hole in the bottom—it doesn’t help.

Chair: A lot of things that we have been talking about are Indian domestic reforms. Could you tell us a little bit about the strategic place in which India finds itself now? It is not only a different region but a different world, and although it is perhaps overstating it to say that India’s alliances have moved radically in the last 15-20 years away from the Russian alliances, the US alliance, the alliance with Israel and various different geopolitical laydown, they are certainly balancing them. The same is true of the relationship with China, which certainly has changed. Could you talk about India’s position?

Dr Abraham: This is just a reversion to the mean. Asia dominated the world economy and will go back to dominating it. The theatre will really



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shift from the north Atlantic to what is now called the Indo-Pacific. A lot of trade will happen in the Indian ocean and Pacific rim. India clearly has a problem with China, and there is no point in pretending otherwise. The question is how China rises—these friction points between India and China will happen repeatedly. The issue of water is one of the most interesting areas in which this is going to play out, because a lot of headworks of dams are being built on Tibetan rivers.

I think that a lot of these issues will come to a head at some point. India needs to manage the process of China's rise, and the only way it can do that is by building serious, strategic alliances across the Indian ocean. The real question is whether you want to build tactical or strategic alliances. On what basis are you building those strategic alliances—

Q56 **Mr Seely:** And who with?

Dr Abraham: Yes. If you are building an alliance that is based on values, who are your partners likely to be?

Q57 **Mr Seely:** And Indian's value system fits in with the western world, doesn't it?

Dr Abraham: Much more than the Chinese value system. An important caveat is that when you describe any value system, you are talking about the elites. It all depends on whether there is a churn of the elites; if a different set of elites takes over, you may not have the same value system. That is an important caveat, but as it stands today, a very western value system is at play.

Q58 **Mr Seely:** How easily can India fit into this idea of an Anglosphere—our developing relationships more closely with Australia, New Zealand, Canada and the United States? India was a critical part of that. To a certain extent, you have very Anglophile elites, but you also have an indigenous culture—it is very different. How does that fit in?

Dr Abraham: If you ask people like me, they certainly would like to be part of the Anglosphere. I don't think that is happening, because India sees itself as a balancing power. It is not going to ally itself with any single power; it needs to balance multiple interests in the region.

Q59 **Mr Seely:** So it is not going to sit in one bloc?

Dr Abraham: No. Some of the United States' actions do not inspire confidence in the strategic establishment in India. For instance, what happens if you cut off the supply of spare parts for my weapons systems? Questions like that keep cropping up, and the Indian game will be to hedge consistently. India certainly will not be a leading power in the next 10 years, but it will be a balancing power. The real question is what it would take for India to dominate, at minimum, the Indian ocean. A bunch of things come into play at that point. If you look at elections in neighbouring countries, they all play into this. It depends. If Wickremesinghe is Prime Minister, you will get a certain relationship. If Rajapaksa is Prime Minister, you will get a different relationship. The other thing to keep in mind is that, thanks to the Hambantota Port episode in Sri



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Lanka, there is now more of a recognition in the region that belt and road is not what it seems, and that it is actually just commercial debt.

Mr Seely: It is just commercial debt.

Dr Abraham: It is just commercial debt—right. Look at a country like Pakistan, which is borderline surrendering its sovereignty to China, because it has taken that much money. If you look at debt owed to China, everybody knows that Sri Lanka is the classic case, but it owes only 12% of its debt to China. If you look at Pakistan, that crosses 50%. If you look at Djibouti, it is closer to 90%. So I think people need to think seriously about what belt and road actually means.

Mr Seely: From China's point of view, it is not just commercial—it is clear that you are buying significant interest—but there is a strategic defence relationship that comes with it, especially in places like Djibouti and Pakistan.

Dr Abraham: Yes, but the question is, if you are Pakistan, do you want to buy into this? Just look at CPEC—the China-Pakistan Economic Corridor. Pakistan is unusual in the region in that it does not, by and large, use coal. But look at what the basis of CPEC is; it is basically coal. Now, if I am Pakistan, why would I do that?

Mr Seely: Because you are in hock to China.

Dr Abraham: I think more and more countries are beginning to ask this question. The problem is that Pakistan has already run into a debt issue with China. Now, it has two options: it can service the debt with more capital from China, or it can go to the IMF. Both would seem unsavoury options if I were Pakistani. There is growing realisation in the region. If you look at the recent Maldives elections, the fact that Modi actually went to the inauguration of the President means that India is beginning to take its role in the Indian ocean much more seriously. I think that is critical. India has very rarely understood—I can give you reasons why—the fact that it is a maritime power. It has historically been a maritime power.

Q60 **Mr Seely:** Is a maritime power a continental power that should have a big navy?

Dr Abraham: Yes, but I am saying that 1,000 years ago it was a maritime power. The reason why Singapore is called Singapore, or that Bali is Hindu, is the extension of Indian maritime power. What has happened over the last 100 years or so—this is my opinion—is that India has become Delhi-centric. The only history you can see from Delhi is north-western, because there are mountains above you—there is no history there. So you are just seeing history through this corridor, when in fact India is a maritime power. I think there is more of an understanding now that India needs to take its maritime role much more seriously.

Q61 **Stephen Gethins:** To what extent is the relationship with other European partners, such as France or Germany, important to India? You had a visit from Macron not all that long ago. You are right about the maritime



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presence that India has had historically. To what extent should the UK and other European powers be engaging with India as a regional power? I thought the Maldives illustration was good. Should we be engaging and enhancing India, and giving it respect as a regional power, or is that happening already?

Dr Abraham: To answer your second question, yes, it is happening already. There is a negotiation about having a naval base in the Seychelles. There are relationships with east Africa that have not been fully leveraged; if you look at places like Zanzibar or Oman, the relationship is turning with a lot of them. Even the UAE, which was not a traditional partner, has emerged as a very important partner for India. Yes, part of it is oil-based, but part of it is actually much more than just oil. So I think regional relationships are definitely beginning to show up. The other piece of it is that finally the look-east policy is beginning to mean something. The very active role of Japan is crucial in that, as is India's relationship with ASEAN and the fact that it is building all these transit road corridors through Thailand and Myanmar. I think that a lot of those things are a reflection of the fact that India takes that role a lot more seriously. I have forgotten your first question, sorry.

Q62 **Stephen Gethins:** It was about India's relationship with other European powers—France and Germany. To what extent are those relationships important?

Dr Abraham: They are very important. The other thing is that India has also had an interesting relationship with France which, certainly on the defence front, is seen as a very reliable partner. France has never stiffed India—there is just that perception of France as a reliable partner. Germany is slowly building up that relationship. So much of this is personality driven. If you dig into the back stories of Germany, Denmark and Sweden—a lot of those involve personal relationships that have been built between the establishment in Delhi and ambassadors, and they have driven some of this change.

Q63 **Chair:** If the ambassadorial and personal connection is so important—that is what you are saying—can you tell us about recent High Commissioners here in London and in Delhi, and say a little about how you see the UK-India relationship through those eyes?

Dr Abraham: Honestly, I do not know enough about either set of High Commissioners to really comment, but to go back to what I said earlier, this relationship is so underweight and punches so far below its potential that it is crazy. I think it would suit both sides to have a much better relationship. What should the basis of that relationship be? It is an interesting question. I would say that, people to people, there is already a strong tie, and we should allow that to flourish and build. I remember once having this conversation with the Americans about the role of the diaspora in the US, which is also emerging as a potent political force. I think if you just let it be, and let the people-to-people contact work itself out—that is a useful starting point, which brings us back to where we started, which is that the process needs to be lubricated a little bit.



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Q64 **Stephen Gethins:** What do you think is the single biggest impediment to letting that flourish?

Chair: Are you going to come back with visas?

Dr Abraham: Well, I think from the Indian perspective you still see that same old excuse creep in. I don't think it is the right way to think about this; I really think that the way to think about this is that it is a strategic relationship that could be way more meaningful but is completely underplayed. Militarily—it is everything.

Q65 **Stephen Gethins:** Sure, but for us to understand the Indian perspective, do you think at the moment that the visa issue is the thing that is sort of holding things back?

Dr Abraham: It is an emotive issue that leads to a perception issue. Yes, it is perception. I keep hearing that the British High Commission is doing a much better job, in which case there is a communication problem—if that is not translating to people like my nephew, there is a communication problem as well. There is a strategic communications issue, and there should be a lot more outreach. I hate to say it, but it keeps coming back to that same issue.

Q66 **Chair:** Can you say a little bit about some of the ways India is working in the region? I am thinking of things like the Asian Infrastructure Investment Bank, or the Asian Development Bank. How are those tools being leveraged by India? How are they seen?

Dr Abraham: With AIIB, for instance, India is the second largest shareholder. To a large extent, the way to think about this, certainly from my perspective, is that it is not a financial institution. It is the failure of the Bretton Woods institutions that you are seeing. It is not that India necessarily wants to see the IMF or World Bank fail, but it is about, "Give us a seat at the table, and if you don't, we will explore other ways".

Q67 **Chair:** It is that "Beijing Woods" looks preferable—

Dr Abraham: Exactly. This is the bit that gets missed in the process. Part of this is what I call an inability to road map. I remember the public utilities commissioner in a state in the US telling me in 1998 that the telecoms market of Belgium, the Netherlands and Luxembourg was more important than that of India and China combined. In 1998 that was true, but it also means that you can't see five or 10 years into the future. That is basically how the growth of China was missed. It was inevitable that it would happen. Napoleon said it 200 years ago—"Let the dragon sleep". If you look at India, for instance, there is a \$2.7 trillion economy that is growing at 8% per annum. Do the maths. In 10 years from now, what is that economy looking like?

Chair: How does India see these institutions? Does it see them politically?

Q68 **Dr Abraham:** It is definitely political.

Q69 **Chair:** Right. Are there ways of balancing China's influence through them? Does India have a strategic role itself through that?



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Dr Abraham: Yes. The fact that the second largest shareholder is India, and the NDB has, for instance, equal votes is the Indian voice speaking up. Despite the fact that Chinese capital is dominant, there is balance in the system. The Chinese have also accepted the fact that there needs to be balance in the system.

Q70 **Chair:** But is the purpose balance, or is the purpose furthering Indian interests? Do you see what I mean? Is the purpose a reaction to China or an actual positive move by India?

Dr Abraham: I think the reaction is to Bretton Woods, and the need to have an alternative architecture in place. Unless these institutions begin to reform rapidly, a completely different architecture will start to emerge. That should be a cause for worry in the West. In a rules-based system, whose rules do you want to play by? You have RCEP coming up now. It is more than likely that it will get signed. That is a very powerful trading bloc that is about to emerge.

Q71 **Chair:** There is a huge change coming. You have spoken about the move from Bretton Woods to Asian equivalents. The IMF itself states in its constitution that its headquarters must be in the world's largest economy, which will not be the US very soon. Even the existing rules will be seriously challenged.

Dr Abraham: It is a serious problem that we will just have to deal with. It has been clear for the last 50 years in the rules-based system whose rules we were playing by. That will inevitably change. The question really is how all these countries—certainly the big powers—will deal with the fact that the rule systems will change.

When you talk about trade, are you going to start talking about labour, or will you just consistently talk about capital? The West tests competitiveness in capital, so it has ensured that the rules of the game are stacked towards free movement of capital. Our competitive advantage is labour. Why would we not make an argument for free movement of labour? Those are the things where a lot of tension will emerge.

Q72 **Chair:** Going straight from that into groups such as the WTO and the G20, India's role in one has been muted and in the other almost non-existent. How do you see that changing?

Dr Abraham: In my opinion India's role in the WTO has not been constructive. It has been holding up way too much in the WTO. Again, this is just my bias at work. I would rather see a multilateral trading system than these trade blocs that are beginning to emerge.

Q73 **Chair:** That is because you are American educated.

Dr Abraham: Because I am American educated, and all of that stuff, yes. Again, it goes back to, if you are the WTO, whose rules do you want to play by, and who sets the rules? The same set of questions will come back again and again as the power balance shifts.

Q74 **Priti Patel:** On the rules-based system, India does, to its credit, abide by



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the rules and institutional norms that exist within the Bretton Woods system and I guess more widely as well. Do you think that some of us—I say this from a nation state perspective—have been a bit asleep at the wheel in the sense that we deluded ourselves? The United Kingdom has a seat at the World Bank, the IMF, and so on. We are in these institutions where there is collective group-think, while the other countries facing east are absolutely part of the system, but will redefine the rules over the next five to 10 years as their politics, foreign policy, approaches, strategies, etc change. The challenge will be for us, not for India really, to look at how we are relevant in terms of those rules-based systems and some of the norms that they will create.

My next question is, does that therefore question—a bit of sacrilege here—the purpose of the Commonwealth going forward? The UK's relationship with India could effectively be enhanced or not as enhanced as perhaps we would like through the Commonwealth, because India's equities will be in a totally different basket.

Dr Abraham: On the first question, the current set of rules and the asleep at the wheel bit is the result of a profoundly ahistorical view of the world. The notion that the last 150 years are the last 4,000 years and that the West has dominated for ever and ever comes through in the way history is taught. It is a whole bunch of issues. It leads to complacency—this is how it has been for 150 years so this is how it shall be for ever. That is about to get upset very badly. I do not know if people in any of these countries are well prepared for that inevitable shift in the rules.

What was your second question?

Priti Patel: About the Commonwealth.

Dr Abraham: Yes. I said to someone the other day that Britain seems to spend a lot of time thinking about the Commonwealth, but is anyone asking the Commonwealth what it thinks of the Commonwealth? Ask the average Indian what they think of the Commonwealth—it is not even in anyone's mind space. That is not to say that there is not something there that potentially can find life, but you need to establish firm purpose. Other than the fact that this is a feel-good thing about the former empire, what is the purpose? If we bring this thing called the Commonwealth back to life, to what end other than the fact that a bunch of people meet?

Q75 **Chair:** I get that question. So why did Modi come to the Commonwealth Heads of Government Meeting? He didn't come just for the weekend.

Dr Abraham: It is a good question. Frankly, I do not know the reason; I can guess, but I do not want to. What if the Commonwealth meeting was held in Dar es Salaam? That is the key.

Q76 **Priti Patel:** I do not want to dwell on this too much, but in terms of the international institutions and India's role, we started our discussion speaking about the emotional side of visas. Is there a feeling, not just in the Indian Government but in India as a country, across the states—the leadership in Delhi as well and perhaps the burgeoning middle class—that



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they are fed up with being lectured to by the West? Western institutions say, "This is what you should be doing;" there are the handouts from various Governments, the crumbs from the World Bank and the lectures on education, health and things of that nature, about what a country such as India should do. As you said, India has one of the fastest growing economies at 8%; it has the largest democracy in the world—all the key features that enable India to be out there as a beacon in its own right.

Dr Abraham: Absolutely. It grates; it is like chalk on a blackboard to hear some of the harangues from the West. Let us think about it for a second: how many reasonably large countries have gone through structural reform—moved from an agrarian economy to an industrial economy—while guaranteeing every person the vote? There are none. India is a unique experiment in making that transition. Clearly, it will be messy. There will be all manner of violations of rights. Given all that, the country is doing a reasonably good job of that transition. It is another problem structurally, given the rise of technology, whether it will get the same kind of transition that the Chinese had, but that is a separate question on structural transformation. Some credit needs to be given to the country for attempting it while guaranteeing every person the vote, instead of attacking it for the shortcomings of that process.

Q77 **Priti Patel:** Would that apply to a policy such as demonetisation?

Dr Abraham: I am personally not a fan of things such as that. There has been an awful centralisation of power into Delhi. In a coalition Government, would something like demonetisation have gone through? I don't think so. It is definitively grating, to answer your first question. To take 1.2 billion people from here to there is very hard and it will be messy.

On top of that is the heterogeneity of the country, which I do not think people necessarily understand. Let me give you a small example: you keep hearing about democratic dividend in India. Is India a young country? That depends on who you ask. You have the state of Tamil Nadu, which has a median age of 31, and the state of Bihar, which has a median age of 19. Which India are we talking about? Both are bigger than Germany, but one will deal with aging and the other will deal with youth unemployment. Just think about how the UK would cope with something like that. We need to leave some room for the manoeuvring that the political class in India is doing to actually square some of these things.

Q78 **Chair:** Can I bring us back to a UK element before I go on to the diaspora? You have spoken about India's changing place, domestically and internationally. What role can Britain play? Is there something that the United Kingdom is well placed to do—assisting with the rewriting of the rules or the reshaping of the world order—so that, as the strategic reversion to the mean, as you put it, of the Indo-Pacific occurs, we maintain some element of the rules that have, let us be honest, made us all wealthy over the last 70 years, and have enabled China and India to trade freely and fairly—well, freely; not always fairly—around the world and the baby is not thrown out with the bath water?



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Dr Abraham: The core thing is that, if Britain, because of its long-standing ties, could enable the rise of India, that would actually mean a lot to the political establishment in India. What does that actually translate into? Security Council reform, right?

Chair: The UK already supports that.

Dr Abraham: Yes; I am just laying it out. Rebalancing the IMF, in terms of votes at the table. Just helping India get a seat at the table concomitant with its rise in power at a couple of these big, multilateral institutions. Enabling that rise is a very good starting point.

Beyond that, yes, there should be a strategic alliance, which should above all be built on shared history, and people to people. On top of that, think through what the UK's core competence is that could then be moved across. Let me give you a small example. The fastest urbanisation anywhere today is happening in India. There is a huge opportunity there for Britain to enable and manage India's process of urbanisation.

What do I mean by that? You can think of urbanisation as three buckets: physical infrastructure, social infrastructure and enabling infrastructure. The enabling piece is your rules of the game, governance and so on. That is where institutional strength, finance and a lot of those kind of things come in. I argue that, certainly on finance and so on, the UK already has a role. Physical infrastructure is obvious. There is a role for Thames Water and all those people to be in there.

If I were to think of the three buckets, I would think—I am just putting in some rough numbers here—that each of these opportunities over the next 10 years is between a \$100 billion and a \$1 trillion opportunity. Just building housing in India is well over a \$200 billion opportunity. I am not saying that British firms should go in there and build anything, but there is a lot of British technology and services that could move. For instance, in the new capital city of Andhra Pradesh, the infrastructure was more or less built by the Japanese but the planning was by Norman Foster.

There is a humongous opportunity sitting there, but you have to be alive to that opportunity and ask what role you can play. Here I even see the French, for instance, moving much faster, with the role that, say, Veolia plays in water experiments in places in India. They are doing a lot on the ground— Suez, Veolia, all of these guys. Just think through the opportunity set. There is a commercial piece and a strategic piece, and all of that needs to be enabled by some sensitivity to the tactical issues.

Chair: Is there a slight element—this is where the lecturing could become counterproductive—of meeting us in the middle here? If one looks at, for example, the Indian Foreign Office, it is frankly much smaller than it should be for a country of the size and importance of India.

Dr Abraham: It might be what we owe to you.

Q79 **Chair:** Of course, but India is no longer a subset of an empire and is an independent state; India renewed its independence just over 70 years



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ago. It would be unwise for the UK to lecture India on the size or reach of its civil service, yet there is an element whereby it is hard for other nations to plug in, at the UN, for example, if India does not have enough civil servants.

Dr Abraham: The question is how you can constructively address some of these issues without getting into the territory of lecturing. Singapore, for instance, does a fantastic job of it. Why do all new Indian cities and so on just default to Singapore? Because the Singaporeans know how to help, minus the lectures. It is not that the Singaporeans do not understand everything that is wrong with India; they fully understand it, but they work within the constraints, saying, "Look, this is a very hard thing that the country is trying to pull off, so let's give them some wiggle room and help where we can." The western instinct, instead, is typically to say, "Let me lecture you first on everything that you are getting wrong." Just think of the scale of what is going on.

- Q80 **Stephen Gethins:** This almost takes us right back to the start—forgive me for that. Being Scottish, a bugbear of mine is how we deal with diaspora. I was really interested in what you said earlier about how the United States engages with the diaspora, which is obviously a mammoth resource going both ways.

Dr Abraham: And in the case of India, it is a very wealthy diaspora. There is also that to consider.

- Q81 **Stephen Gethins:** A very important, wealthy and influential diaspora. How can the UK Government better engage? How does it engage with the diaspora in trying to advance its foreign policy objectives? Could it do better? Actually, it would be very helpful if you had any illustrations. Does it engage?

Dr Abraham: No.

Stephen Gethins: That is very helpful. Thank you.

- Q82 **Priti Patel:** I am going to develop the diaspora point, because I was once labelled as a diaspora champion for India. India's ability to mobilise the diaspora has been first class. I have seen that year after year.

Dr Abraham: Which, by the way, is a sea change from 20 years ago. What did we used to call them—"not really Indian"? It was a pejorative term. The diaspora was treated very pejoratively 25 years ago, whereas today it is seen as an enormous source of strength.

- Q83 **Priti Patel:** We are welcomed with open arms—we can have PIO cards and all sorts of things. Our status is incredibly high. Sometimes I think we are more respected than—

Dr Abraham: Exactly. Let me give you an example. My wife has an OCI—Overseas Citizen of India—card. She is Swiss, but she has pretty much all the rights of an Indian citizen except the right to vote. That makes her life incredibly easy. Do I get reciprocal rights of the same sort in Switzerland? I assure you that I do not.



- Q84 Priti Patel:** I have seen it in the States and when I was in the Gulf when Prime Minister Modi came to Dubai about four years ago. I saw the whole spectacle, which is political—there is no doubt about it. In the UK, too, I was involved in the Wembley Stadium event that Prime Minister Modi came to. But this is different. Is it more political or is it a concerted effort on behalf of the Indian Government? Obviously there are outreach organisations on the political side, but at the same time, as we are seeing now, there is enormous foreign direct investment coming back to India from the Indian diaspora around the world.

Dr Abraham: Certainly the theatre is political—there is no question about that. I hope that the back end of it will lead to more substantive things like investments and so on, in exactly the same way as the Chinese diaspora helped in the growth of China. That relationship is severely underweight, especially if you think about what the Taiwanese and the Hong Kongers did in China.

Yes, there is political theatre, which gains votes, raises money and does a whole bunch of those kinds of things, but I think at the back end of it something is shifting in both countries. Everybody sees the diaspora as a very powerful force for advancing Indian interests around the world.

- Q85 Priti Patel:** I have a final point about the diaspora, which comes back to foreign policy—you may or may not have a view on this. The Canadian representative in New Delhi is of Indian origin.

Dr Abraham: Nadir. He is a very good man.

- Q86 Priti Patel:** Yes, he is very good. Do you think we could move the needle in our diplomatic relations if we had a member of the Indian diaspora effectively representing the United Kingdom in India?

Dr Abraham: That needs a calibrated response, as you probably know. On paper, it sounds good, but I think the foreign policy establishment in India sees it in a different way: “Oh, you’ve given us political appointees all along who were meaningful in your hierarchy, and now you’re just giving us somebody from the diaspora.” That is the knee-jerk response that I have occasionally seen, but if you look at the case of Peter Varghese and so on, there has been a constructive move ahead, because people like Peter actually understand the Indian milieu and the relationship-based nature of society much better. But it is a twin-edged sword, because the immediate response is, “Oh, they’ve given us somebody who is not important.” I do not know whether this is as much the case for the UK, but certainly when there are discussions about who should be Ambassador from the US, there is always the subtext of “Who are they appointing? We had Robert Blackwill, and now they are giving us—who?”

Chair: May I thank you enormously? It has been an absolute tour de force and completely fascinating on 100 different subjects.