



Public Affairs Forum of India

5th National Forum

Public Affairs : The New Paradigm

Discussion Paper



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Public Affairs Forum of India (PAFI) 5th National Forum Public Affairs: The New Paradigm

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The Public Affairs Forum of India (PAFI) (www.pafi.in) is the only organised platform for public affairs professionals in the country. PAFI has representation from large and medium-sized transnational Indian and Foreign Corporates.

PAFI's objective is to redefine perceptions of how business entities should engage with stakeholders, from Government and Media to Civil Society and Academics in their efforts to make the overall regulatory environment conducive for economic growth.

Since its inception, PAFI has been actively promoting Public Affairs as a profession and providing a networking platform and opportunities to exchange and share views experiences between corporates and various stakeholders, through panel discussions, seminars, closed-door interactions and the Annual National Forum.

This year, PAFI completes 10 years of service in fields of Advocacy, Public Policy and Public Affairs

PAFI's 5th National Forum **"Public Affairs: The New Paradigm"**, will focus on the direction and fulfilment of the Government's several initiatives and the various strategies corporates need to adopt for an effective advocacy, public policy & public affairs programme and engagements.

The Annual Forum, over the last few years, has become the meeting ground for the Public Policy & Public Affairs professionals & it is the flagship annual event of PAFI. It is a strong platform for interaction with Government officials, CEO's, Media, Think Tanks, Legislators in an informal setting. The programme of Forum, is designed to have more **conversations, debates & dialogues.**

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Discussion Paper

Public Affairs: The New Paradigm

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The four broad areas that are expected to have a deep impact for corporates in the coming years include :

- the importance of transparency in Government policy making,
- the need for connectivity-both physical and digital to create competitive products and services,
- the growing relevance of engaging with political parties for industry and
- a changing world order due to the growth of protectionism across the globe as also the newly emerging geo-political landscape.

The Fifth Edition of the PAFI Public Forum will deliberate on these issues.

This discussion paper looks at some key aspects within these broad areas of impact for industry and identifies possible areas for deepening industry-stakeholder engagement in a dynamic world.

I. Introduction

Heraclitus, the pre-Socratic Greek philosopher said, **“Change is the only constant in life”**. A close look at issues that impact India or other nations across the globe shows that the world is witnessing a subtle to not-so-subtle change in every sphere ranging from Politics to Policy, Trade to Transport or from Currency to Climate, besides many other areas. New challenges and opportunities are emerging requiring new responses. Governments and Corporates, across the globe, are grappling with the need to transform by strengthening internal systems or seeking external help.

A Changing India : India too is witnessing constant change. New equations are emerging in the area of politics; greater use of technology and growth of the services sector are throwing up new opportunities for a young population even as they challenge some existing businesses; global trade is facing the challenge of growing protectionism as also regional and global geopolitical shifts; expectations from the Government at the Centre and states are changing due to economic growth and divergent views exist on future economic outlook for the country.

At Cross Roads : To use a clichéd term, Corporates and Governments are finding themselves at cross roads with no clear direction. This is the new paradigm for public affairs (PA) professionals. The new challenges and opportunities that have emerged provide Public Affairs specialists the possibility to change traditional mindsets within industry and the stakeholder universe including the Government on the role of Public Affairs in helping shape future strategy for growth and development.

Public Affairs, New Paradigm : The challenge for the public affairs community, in the next few years, will be to get all stakeholders realize the increasing role of public affairs professionals in bridging gaps in information and creating engagement platforms that will be sustainable and important for developing an eco system that supports a transparent and balanced policy regime in the country.

The changing policy environment can help stakeholders appreciate the role of public affairs in providing strategic insights and thoughts on various issues including policy formulation, role of technology in manufacturing or in providing inputs on global benchmarks or trends on several other matters of interest to the company or to the other stakeholders.

Building Skills : Public affairs professionals will increasingly be expected to have a complete knowledge of various issues impacting business and will have to continue to build and deepen their domain expertise in the sectors of interest to their company.

Building expertise across a cross section of issues will help them engage with all stakeholders to create a sustainable business environment in the markets where their corporates operate at present. Due to the growing global footprint of corporates, the public affairs professional will also be expected to have a good understanding of the business and regulatory environment across continents. The increasing role will call for building and improving specific skills needed to be a PA professional.

Role of PAFI : Given the new paradigm, PAFI will continue to endeavour to identify specific areas of interest to PA professionals. It is evident that public affairs teams in corporates will need to co-operate and integrate with a wide range of other teams across the stakeholder universe to react to emerging challenges and opportunities and help create sustainable response mechanisms.

The Fifth Edition of the PAFI's National Forum will look into some of the broad themes that are expected to dominate the discussions across the public affairs community in India in the coming years.

II. Shaping Engagement

Four broad, but significant, areas may need much greater attention by corporates to navigate the business environment of the future.

1. **Policy and Connectivity :** The role of Government Policy and physical infrastructure that helps build an effective eco-system that supports business
2. **Politics, a Game Changer :** The growing impact of national and regional politics for industry
3. **Technology and Innovation :** How corporates are using technology and innovation to access markets
4. **A Changing World Order :** Growing calls for protectionism and the use of trade and investment as a tool by countries for dominance that has a bearing on corporates with global or regional foot print and value chains

III. Policy and Connectivity

Discussions on economic growth and employment have dominated the deliberations across industry platforms ever since India started the reform process. However, in the last few years the focus has been on maintaining a growth rate that is sustainable.

Every policy announcement, therefore, is put through the test of whether it will improve or hamper the economy. One aspect that has a huge impact along with policy is the availability of physical and digital connectivity that now helps businesses cut across markets and time zones.

Greater Engagement : Policy in India has, to a large extent, primarily been driven by Government departments based on what is considered in the larger interest of the country. The interactions with

other Government departments have at times gained prominence over direct interactions with other stakeholders including industry. However, due to the increasing role of industry in pushing growth and improving employment opportunities, there maybe a need for a much larger debate and discussion before policy is finalized. Given the new challenges faced by Governments, at the central and state level, greater involvement of stakeholders including industry may help in bringing about new ways to develop policy and such co-creation helps ensuring that the policy created will lead to the benefits envisaged during its development.

The Government of Canada has been experimenting with greater stakeholder engagement under its “Canada Beyond 150” initiative in developing policies put out a document in March 2018 by Policy Horizons Canada that was titled “Three Things We’ve Learned From Stakeholder Engagement”.

The main take aways, according to the Government of Canada:

1. Engagement takes time- its not only time-consuming, but has to start early. In Government, we tend to engage with stakeholders after we’ve explored ideas, but early engagement with subject matter experts can lead to better, more informed policies and programs.
2. There’s a paradox: on one hand we need to engage early to better understand the issues that guide further research. On the other hand, stakeholders have limited time and expect you to be prepared and informed before meetings. How do we bridge these?
3. We need to see open Government as something we do, an invitation to contribute...”

The Canadian document further said “policy issues are complex, and we need to fully understand them in order to address them through policy; stakeholder engagement and conversations are key to doing that.”

There fore, it will be important for Government to work with industry and other stakeholders to help build much stronger platforms and occasions for greater stakeholder engagements in the policy making process.

Regulation : Regulators are extremely important to ensure fair play in any country. India is no exception. There is an increasing role played by regulators in the last few years and industry has been working closely with several regulators on various issues.

The role of public affairs professionals in the coming years will be to ensure that regulatory agencies remain engaged with industry so that the regulators in the country frequently hear the voice and opinions of industry.

Infrastructure : The story of infrastructure development in India in the recent past has been impressive. The India Brand Equity Foundation (IBEF) in a document dated June 2018 stated that India requires investment worth Rs. 50 trillion (US\$777.73 billion) in infrastructure by 2022.

To fulfill this mammoth task, the Government is investing heavily in the infrastructure sector, mainly highways, renewable energy and urban transport. The Government has been supporting several initiatives due to the importance of foreign direct investment and private sector participation to develop this sector.

The sector has also witnessed large developments in the recent past thereby providing a fillip to infrastructure development in the country. In June 2018, the Asian Infrastructure Investment Bank (AIIB) announced US\$ 200 million National Investment and Infrastructure Fund (NIIF). Further this sector witnessed 91 M&A deals worth US\$5.4 billion in 2017.

India and Japan have also joined hands for infrastructure development in India's northeastern states and are setting up an India-Japan Coordination Fund for Development of Northeast to undertake strategic infrastructure projects in the Northeast.

The growth of infrastructure augurs well for the economy. Industry will have to remain engaged with the Government departments that are creating physical infrastructure to ensure greater public-private partnerships in infrastructure development.

Schemes That Promote Development : Governments are taking deep interest in promoting schemes that brings about greater inclusiveness and promises higher development in the country. Some of the Government schemes in India that industry follows closely include ones that have a direct impact like "Make in India", "Digital India" or "Skill India" as also other schemes that focus more on inclusion like "Ayushman Bharat".

Industry will need to take thought leadership in helping the Government move these schemes forward and corporates will have to ensure that they pay enough attention to opportunities emerging from these schemes to partner the Government in moving towards its stated goal of building an inclusive society

IV: Politics, a Game Changer:

The impact of legislations and policies on industry is always deep and corporates have to constantly keep their ear to the ground to ensure that they catch the views of political parties on key economic issues early to remain competitive in domestic or global markets. What is becoming increasingly important beyond the role of Government as a policy maker is the ability of industry to grasp how the views of political parties will impact policies that are critical to industry at the state and central level.

Coalition Impact : Interestingly, in India, all major political parties have been part of the central Government in either being part of the Government or by supporting the Government as an ally. Due to the increasing importance of coalition politics, there is no political party that has stayed out of the Government.

Since pre-independence times (India had its first coalition government in 1937) India has seen well over 10 coalition Governments at the centre in different formats. Since the 1990s coalition politics has become the norm for the formation of the Central Government.

Therefore, industry is used to working closely with several political parties over the last many years and appreciates the fact that broadly all parties are in sync with the overall approach towards reforms and development. However, some times divergent emphasis of different coalition partners on some policy issues of importance to industry can have a serious impact for business.

What coalition politics has ensured is that regional parties have become far more relevant when legislations are passed in Parliament. Specific parties have a strong hold in different states thereby making them important stakeholders for industry.

As several players remain important in the process of deciding on important legislations and policies, the need for industry to widen its engagement with political parties has gained importance.

Like in many other democracies, it is becoming far more relevant for industry to understand the views of political parties on key issues. The views of political parties in areas such as taxation, land laws, trade agreements, etc. have to be followed closely to know what would be the impact for business on day to day basis.

Public affairs professionals have to work towards creating engagement platforms that keeps both industry and political parties as also individual politicians engaged on a regular basis so that there is an easier comprehension of each other's views and positions on various issues.

V. Technology and Innovation

India is moving fast in its approach to accepting the Industry 4.0 Technologies. NITI Aayog has taken thought leadership in this area with the publication of a concept note on Artificial Intelligence (AI). According to an International Data Corp. (IDC) report of 2017, AI is expected to drive worldwide revenues to about US\$ 50 billion by 2020 across a wide range of industries. It was at about US\$ 8 billion in 2016. Corporates now realize the role AI and robotics can play for building competitive future business models.

There are many more such new concepts that are revolutionizing industry globally. These include Blockchain, Biotech, IOT, Augmented Reality, etc. However, for the country to remain in the forefront of these new innovations and technological developments, there has to be continuous flow of information and ideas between industry and Government that is working to build policies that corporates require to access technology.

Unlike in the traditional policy making process, this will require far greater understanding and appreciation of industry functioning if Indian produced goods or services, using the new technologies, have to build a stronghold in global markets.

New Age Policies : The growth of new age corporates will need a different approach by the legislators and Government to ensure that policies remain relevant for businesses.

The role of public affairs professionals in forging a strong bond for industry in the policy making process will be critical in many of the sectors that are strongly influenced by the emerging technologies and developments. The strong presence of large multinationals in India in this space gives stakeholders the benefit of gaining a greater understanding of how countries across the globe are responding to these changes brought about by the new tools of business

VI. A Changing World Order:

An important development in the last decade or so has been the growing global footprint of companies in the developing world, including in India. The increasing presence of Indian corporates in global markets has not been restricted to services or manufacturing and many Indian brands have gone global.

Global Footprint : One reason for the increasing presence of Indian corporates in global or regional markets or the expanding number of multinationals setting up shop in India has been driven mainly by India's quest to integrate with global markets and greater use of technology that helps easier transfer of goods and services from one country to another.

GVCs and Trade Agreements : There is also a palpable trend of corporates seeking the best and/or cheapest markets to source raw materials or intermediates that has led to the growth of global and regional value chains.

The quest for markets to seek and sell cheaper and better products and services has encouraged countries, including India, to engage with like-minded trade partners to open up markets. The growing importance of trade in shaping the geo-political environment has also brought, Governments and business across the globe, together in their joint pursuit of dominating global markets.

Standard Setting : The growth of Indian multinationals has meant that public affairs professionals need to have a greater understanding of international developments and help corporates build a presence in international standard setting bodies through various platforms available to the private sector. Regulations that are responding to the changing aspirations and demands of consumers across the globe have to be tracked regularly and bilateral and regional trade and investment agreements have to be analyzed.

For public affairs professionals with multinationals based in India or any other markets, the challenge is also to help their corporates navigate complex domestic policies and regulations as also bring on the table global best practices that Governments may want to adopt to create growth and employment.

Domestic versus Foreign : However, one increasing challenge that corporates face in the current times is the mounting impact of protectionism that is sweeping world markets. The definition of a domestic industry during the time when countries espoused the benefits of trade liberalization meant any company that created assets in a country and contributed to growth and employment.

But now countries are trying to subtly differentiate between corporates with majority stake held by citizens of the country from corporates that have a majority foreign stake. This differentiation may even slowly lead to a variance in policies, which corporates will need to guard against.

The role of the public affairs professionals, in India or any other major market of the world, should be to ensure that stakeholders across the spectrum understand the need to remove any move to distinguish between domestic and foreign investors in policy making in the coming years. A level playing field will have to remain for free flow of goods and investment across boundaries.

The upward trend of protectionism is evident from the policy responses in the developed world like the US, UK or the EU to investments by domestic industry in foreign markets or on the issue of outsourcing to opening up markets for foreign goods and services.

Dominance Through Trade and Investment : There is also an increasing trend in countries seeking to dominate using trade and investment policies as is evident in China's "One Belt One Road (OBOR)" initiative that has impacted many countries. Several countries, especially in Asia, are now facing a debt crisis due to China's growing investment in infrastructure in their countries that will help improve Beijing's hold over the region. Such geo-political shifts will have significant impact for industry that is integrated across global or regional markets and will, therefore, need greater understanding.

Geopolitics Impacts Business : The growing tensions in the South China Sea or the discussions of balancing the power equations in the Indo-Pacific have an impact on the development and sustainability of value chains for several corporates. The political decisions of countries like China to ban the export of raw materials like tungsten or rare earth are crisis situations that need strategic responses.

The presence of large number of investors in most startups and e-commerce corporates are turning into a challenge for Governments that are trying to build policies that impact the new economy corporates.

The changing geo-political situation across the world, especially in Asia, due to the rise of China and India as also the growing influence of many other countries in the region is also making a huge difference to corporates that operate across the Asian continent.

The New World Order : In an article by Syed Munir Khasru, Chairman, Institute for Policy, Advocacy and Governance, the World Economic Forum in July 2017 said “as traditional US Allies find ways to come together without the US, and China continues its drive with trade regimes, like the Regional Comprehensive Economic Partnership (RCEP), as well as mega infrastructure projects like BRI, the geopolitics of Asia Pacific are going through realignments and changes not seen since the end of World War II.”

The growing influence of Asia is strengthened by the growing affluence of the region for over a decade as well. An article titled “Asia: The Rise Of The Middle Class” in Financial Times said in 2011 that “not only China but in countries including India, the worlds second most populous; Indonesia, a fast growing nation of 240 million; and Vietnam, 85million-strong and following in China’s developmental footsteps, the consuming class is beginning to grow. Even in less obviously successful countries such as the Philippines, which has a population of nearly 95 million, years of steady if sub-optimal growth is creating pockets of broader affluence. The emergence of a middle class in Asia beyond the prosperity that already exists in Japan, South Korea, Taiwan, Singapore and Hong Kong will have far reaching consequences.”

The growing influence and affluence of countries in the region has meant that there has been greater integration across markets leading to the creation of new power centres for transnational corporates to comprehend and react.

VII. Next Steps

PAFI, over the next few years, will work closely with stakeholders to ensure that the emerging trends are monitored and response mechanisms that can benefit the larger community are debated in a transparent fashion.

PAFI will drive an informed dialogue with all stakeholders – Government, Media and the civil society to bring greater understanding of industry positions on various emerging issues.

The “New Paradigm” that PAFI will try and build for the public affairs community in India will be to create an inclusive agenda that focuses on building transparency through knowledge based information dissemination system that supports healthy policies.

PAFI remains committed to sharing best practices of policy making and stakeholder engagement practiced across the globe with all relevant agencies and stakeholders in its bid to create a strong platform for engagement and information dissemination.

PAFI – An Overview

Public Affairs Forum of India (PAFI) is a non-partisan Forum comprising of organisations and individuals working in the field of Public Advocacy, Public Policy and Public Affairs. PAFI is dedicated to raise and maintain standards of practice in Public Affairs and to enable the Industry to attain recognition and credibility.

PAFI is the only organised forum in the country with representatives from large & medium-sized transnational Indian companies in the field of Public Affairs. PAFI's objective is to redefine perceptions of how business entities should engage with various stakeholders from Government, Media, Civil Society and Academics.

Since its inception, the Forum has been actively promoting Public Affairs as a profession and providing regular interactions and opportunities to exchange views and share experience. It is the belief of PAFI, that Public Affairs will play an increasingly significant role in organisations as well as the development of India's economy.

Mission & Objectives of PAFI

- To enable the industry attain recognition and credibility.
- To set up, promote, protect and enforce ethical standards of business conduct and practice for Members.
- To help inform the news media, educational institutions, Government institutions, political organisations and the general public about the value of public policy consultation and its contribution to the strengthening of democratic process and economic development of India.
- To provide and develop opportunities of communication between the Members and all persons engaged or interested in Public Affairs, in order to promote cooperation and exchange of information, ideas and best practices.
- To create opportunities for professional development through training, guidance and mentorship.
- To attract and nurture young talent towards the Public Affairs profession by highlighting the role that Public Affairs professionals can play in strengthening the policy making process.

PAFI - Code of Ethics

This Code of Ethics applies to all Members of PAFI

Our work as Public Affairs professionals contributes to a healthy democratic process, acting as a link between the world of business, civil society and Indian policy-makers. The objective of PAFI and its members is to provide knowledge and context to aid an informed decision-making on policy. By signing this Code of Ethics, the signatories are committed to abide by it and act in an honest, responsible and courteous manner at all times and seek to apply the highest professional standards.

PAFI members are expected to practice the highest standards of honesty, accuracy, integrity and truth and shall not knowingly disseminate false or misleading information to the Government and the civil society. Members shall not engage in professional or personal conduct that will bring discredit to their firms, the society or the practice of Public Affairs.

In their dealings with the Government of India, departments and agencies, the Public Affairs practitioners shall:

- Identify themselves by name and by company on whose behalf the Government department and agencies are approached.
- Be transparent in disclosing the interest they represent when dealing with the Government of India and its agencies.
- NOT intentionally misrepresent their status or the nature of their inquiries to officials of the Government of India or create any false impression in relation thereto.
- NOT directly or indirectly misrepresent links with the Government of India.
- At all times honour confidential information they receive from other members of PAFI and Government offices and agencies.
- Practice the highest standards of honesty, accuracy, integrity and truth, and shall not knowingly disseminate false or misleading information.
- NOT sell for profit to third parties copies of documents obtained from the Government of India or any public office or agency.
- NOT obtains information from the Government of India by dishonest means and will take care to avoid any professional conflicts of interest.
- Neither directly nor indirectly offer nor give any financial inducement to:
 - Any government official,
 - Elected members,
 - Their staff
- Protect the confidences of present, former and prospective Government officials and agencies they deal with.
- NOT intentionally damage the reputation of agencies they work with and shall understand, respect and abide by the ethical codes of the Government departments and agencies and fellow PAFI Members with whom they may interact from time to time.
- PAFI members will only employ Government personnel subject to the rules and confidentiality requirements of the Government of India.

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