# The Second India-Israel Forum

## India-Israel Relations in a Global Age

8-9 September 2009, Tel Aviv

**PROCEEDINGS**

Confederation of Indian Industry

TEL AVIV UNIVERSITY
The Harold Hartog School of Government & Policy

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# Executive Summary

Building on the success of the inaugural India-Israel Forum in New Delhi in 2008, the Confederation of Indian Industry and Tel Aviv University's Hartog School of Government and Policy with active support from the Aspen Institute India held their second event in Tel Aviv in September 2009.

When diplomatic relations between India and Israel were established in 1992, bilateral cooperation was worth $200 million. Over the course of the year between the first two forums, this figure crossed the $4 billion mark.

The forum took place in the context of the global economic crisis, whose full impact was yet to manifest. Participants were keen to examine the opportunities presented by the crisis for business cooperation and ways in which the economic dimension of bilateral relations could be strengthened as a result. The global challenges meant that the time was indeed ripe to search for new areas of cooperation in a number of key sectors, including infrastructure and real estate, pharmaceuticals, biotechnology, life sciences, information technology, telecommunications and clean-tech.

Bilateral relations also extend far beyond economic cooperation: they are political, cultural and security-related. The strength of ties in each of these dimensions was highlighted by the Mumbai terror attacks in November 2008.

In addition to discussing direct business-to-business initiatives in a range of fields, a considerable portion of the deliberations was devoted to thinking about structural cooperation between key stakeholders, including the respective governments, the private sector and in higher education – to boost R&D and science and technology entrepreneurship. This involved some discussion of potential models which could be used to generate new investment, such as the 'Yozma' initiatives which had a proven track record of success in Israel and the use of technology transfer companies, as well as issues of market failure and entry barriers.

The forum stressed how greater collaboration across a wide range of areas is possible. Both Indian and Israeli leaders expressed their deep commitment to strengthening the relationship, for instance through political and business delegations, coordinated cultural activities, and a range of efforts to exploit the strategic commonality and tremendous good will which is of mutual benefit to both Indian and Israeli business and society.

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Tuesday 8 September

## FROM DELHI TO TEL AVIV: OBJECTIVES FOR THE SECOND FORUM

*Chairs:* **Mr. Stanley M. Bergman,** CEO & Chairman, Henry Schein Inc.

**Mr. Hari S. Bhartia,** Vice President, CII and Co-Chairman & Managing Director, Jubilant Organosys Ltd.

Recalling the end of the successful first forum in 2008, Mr. Bergman expressed warm praise for both CII and TAU – and especially to Mr. Tarun Das, who had delivered on his pledge to bring a delegation to Tel Aviv. He also gave special thanks to Israeli Ambassador to India, Mark Sofer, and to his Indian counterpart in Israel, Ambassador Navtej Sarna. Mr. Bergman set out the procedural guidelines for the sessions.


*The Forum Co-Chairs (L-R): Tarun Das, President, Aspen Institute India and Chief Mentor, CII; Aharon Fogel, Chairman, Migdal Insurance Financial Holdings Ltd. and Ness Technologies; Stanley M. Bergman, CEO & Chairman, Henry Schein Inc.; and Hari S. Bhartia, Vice President, CII and Co-Chair & MD, Jubilant Organosys Ltd.*

Mr. Hari Bhartia expressed delight at being in Israel for the purposes of the forum and spoke about his personal experience of doing business with Israelis. He too expressed his warm appreciation to the diplomats and partner organisations.

Mr. Bhartia pointed to two seminal developments that had been observed since last year's forum: first, the global economic crisis, which had led the world into a recession; and second, the Indian national elections, held in April-May 2009. As the world's largest democracy, India was proud to have smoothly and successfully held elections. India's political stability had been enhanced thanks to the increased majority in the Congress and a stronger mandate for the government's policy platform. He noted that, with 65-75% of the population living in rural areas, and no comprehensive social security system to support either the rural or urban poor, India faced major challenges. Over the last five years, he said, many programmes had been inaugurated in the areas of infrastructure, urban renewal and pensions, and others; the overriding challenge was to deliver workable policy initiatives.

Private sector collaboration was playing a crucial role in facilitating these efforts, just as a key stimulus for Indian industry was government encouragement. There existed a win-win situation between the government's objectives and opportunities for creating a consumer


*Ambassador of Israel to India Mark Sofer and Ambassador of India to Israel Navtej Sarna.*

base. The outcome was a great deal of innovation, which was beginning to be seen through to delivery. This year's growth predictions were around 8.5 percent. Indian industry was going through a transformation from being good manufacturers to really good innovators. Mr. Bhartia said that Indian industry today was confident. It was investing in new products and applications. He likened it to an ecosystem evolving in clusters, where innovation was beginning to emerge, with very exciting developments as a consequence.

Finally, Mr. Bhartia set out India's priorities. Agriculture, he noted, was top of the Prime Minister's concerns. A key question was how, after the green revolution, could Israel and India take advantage of opportunities for cooperation. Nano-industry, technology, hi-tech and healthcare: all presented key fields, as well as the security and defence sectors. In addition, frugal innovation was being implemented in healthcare provision and low-cost healthcare delivery.

## SESSION ONE: INFRASTRUCTURE DEVELOPMENT & INCOME PRODUCING PROPERTIES

*Chairs:* **Mr. Aharon Fogel (Co-Chair)**, Chairman, Migdal Insurance and Financial Holdings Ltd. and Ness Technologies

**Mr. Tarun Das,** President, Aspen Institute India and Chief Mentor, CII

*Presenters:* **Mr. Ran Croll,** CEO, Etgal Holdings Ltd.

**Mr. Suresh Prabhu,** Former Cabinet Minister, Industry and Environment

**Mr. Amos Lasker,** President & CEO, The Israel Electric Company Ltd.

**Mr. James V. Abraham,** Managing Director & CEO, Sunborne Energy Technologies

**Mr. David Cohen,** Chairman, F&C REIT Property Management India

**Mr. Vijay R. Kirloskar,** Chairman & Managing Director, Kirloskar Electric Company Ltd.

Mr. Aharon Fogel continued discussion of the global economic crisis, and the associated breakdown of trust, especially in banking and finance.

Mr. Fogel discussed the challenges of financing infrastructure. He said that natural asymmetries between Israel and India made Israel into a potentially useful test case for India, before attempting to implement ideas in the giant Indian market.

Among the main issues was how to reduce risk perceptions among investors. Governments had a crucial role to play. There were many ways to balance the needs of investors with the risks they incurred. With the right system, know-how, parameters and psychological balance, Mr. Fogel was confident that finance per se would not be the problem. Equity, he felt, would begin to flow if the right structures were in place.

Mr. Tarun Das paid tribute to the delegates and introduced the Indian presenters for the session. In a brief historical overview, he said that for fifty years, since Indian independence, infrastructure had been government managed and controlled. The prevalent culture had been state provision, including in power and water. Recognition that this was not sustainable in the long term led to the private sector revolution. In the last 10 years, India had made progress – at sea ports, airports, and even with railways – all of which had become public-private partnerships (PPPs). Notably, however, Mr. Das said that this trend had not manifested in the energy sector.

Mr. Ran Croll referred to the 2008 forum and the focus on opportunities for collaboration. It had transpired that India and Israel were facing the same sets of challenges and hurdles. In the last decade, there had been shortages – in electricity, in quality water, and other vital infrastructure. In public transportation, too, there was a great deal to be done. Both in India and Israel, licensing and regulation posed enormous challenges to be addressed.

*Ran Croll, CEO, Etgal Holdings Ltd. and Yair Seroussi, Chairman, Bank Hapoalim*

Mr. Croll took up the global economic crisis as an opportunity for new rules of the game to be introduced at the national level. Bureaucratic red tape needed to be lifted and the relationship needed to change between governments and key business players. Key actors in the business sector were financial investors and equity providers. He focused on how a wise set of risk allocations was required so that no party would take on more risk than he was able to handle.

Government's responsibility in infrastructure was to ensure that the risks to which it exposed itself were comparable with those it took in government. There was a need to change the nature of risk allocation in infrastructure projects.

Mr. James V. Abraham, Managing Director of Sunborne Energy Technologies spoke about power and, in particular, use of deserts to generate power. He had found major innovations in Israel in this context. He saw an exciting opportunity to collaborate, fusing Israeli innovation with massive scale deployment in India. There were, Mr. Abraham said, structures and business model opportunities which made this financially viable today.

Government was doing a great deal to ensure that renewable energy would become part of the power portfolio. Ground in India was therefore beginning to become fertile. The upcoming Copenhagen Climate Change Conference (December 2009) presented an ambitious agenda and a tough set of decisions.

India would grow into the largest energy sector in the world over the next ten years. It needed to crack the renewable energy sector in the next five years for the sake of the next generation.

Mr. Amos Lasker, President, Israeli Electric Corporation, focused on a more pragmatic business opportunity for discussion. He explained that his company generated and transmitted electricity to the entire State of Israel. His firm, however, would not remain a monopoly, and as the electricity market opened up, the company would lose some 20 percent in revenues over the next ten years. It needed to compensate for the loss that lay ahead.

Over the course of the last year, Israel Electric had initiated a technological incubator. It was now focused on solar and wind power as well as all other energy technologies. It would be executing 3-5 projects. The company had achieved excellence in engineering, and was running projects in South Africa, Spain and Greece.

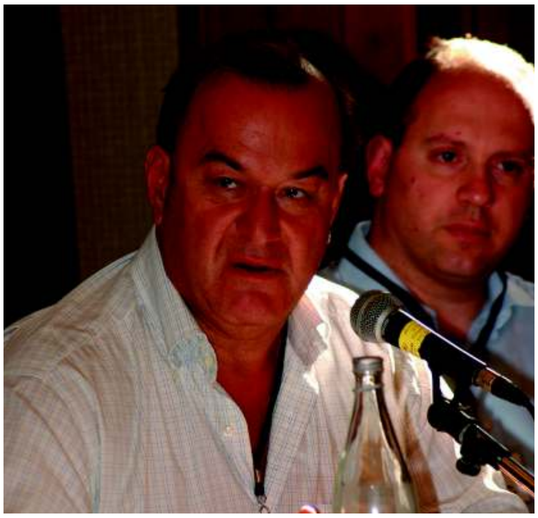
The company had also developed telecommunications technology which operated over power lines. This technology was available but had not yet been implemented in Israel due to regulatory restrictions. The firm was seeking to deploy overseas.

For an investment of $2 billion, it was also looking for a strategic partner for its coal project. Israel, as he saw it, was an island, due to its lack of close geopolitical ties with its neighbours. It needed to look elsewhere for such a partnership. Its production plans in natural gas, coal and other energy sources were very ambitious.

Mr. Vijay Kirloskar spoke about power challenges in rural India. He said that India was dependent on hydroelectric power, a problem either in the monsoon season or for political reasons, where priority was given to farmers. There were few major projects dealing comprehensively with the demands of India's growing population. Those who suffered most were the households. Diesel was expensive. There needed to be greater emphasis on clean energy.

He said the key challenge was financing energy projects and creating a quality distribution system, ensuring that all Indian households had power consistently. These were the dimensions that India needed to focus on in order to leapfrog to a better future.

Turning to income-producing properties, Mr. David Cohen, Chairman, F&C REIT Property Management India, described what had been a very volatile fifteen months. The Indian bubble had manifested and eventually burst. The last six months had shown a crash of mammoth proportions: the realty sector was down about 85 percent, which was even greater than that of the general market (around 65 percent). Realty was down about 55 percent, which – despite the climb back – still represented a huge fall. In addition, very little had been done in terms of initiating new transactions over the last six months, and interest rates were also volatile.



*David Cohen, Chairman, F&C REIT Property Management India and Jonathan Morris, Partner, Berwin Leighton Paisner LLP*

There were many mid-sized Indian cities which required real estate infrastructure. Potential was sizeable and Mr. Cohen was more optimistic about the market than he had been eighteen months earlier. But he also cautioned that India was not a market for the faint hearted.

Mr. Cohen noted strong cultural similarities between India and Israel, in terms of quality, process, finance and structuring. India offered an incredibly "scalable" market, which created almost unlimited room for cooperation. FDI rules prevented foreigners from purchasing income-producing property in India. Whilst this had been justified in the past, the picture was likely to change. Mr. Cohen saw affordable housing as "the next big thing".

Mr. Tarun Das explained that the CII was setting up a think-tank to examine water, environment and energy issues. He, Mr. Bhartia and Mr. Suresh Prabhu had recently met with the Indian prime minister to discuss this.

Mr. Prabhu added that huge investment was required, both in terms of private sector capital and governmental assistance within realistic limitations. In the energy sector, Israel had great potential to develop solar capacity, for which there was huge demand in India. Israel was the best partner in water issues. The lacking ingredient, in Mr. Prabhu's view, was implementation. A legislative and policy forum was required.

Mr. Syamal Gupta, Chairman of Tata International Ltd., continued discussions of climate change and clean-tech. He said that there were possibilities in "green coal", distributed power generation and solar energy. Reducing pollution and the cost of generating electricity were other areas for cooperation. Conventional power, in his view, was a misnomer, because opportunities in coal, oil and gas were very limited.

Mr. Gupta said that solar energy would provide distributive power and create local employment in Indian villages. The new government was set to make strides and now was the time for development. Alternative energy sources could be found and exploited.

Mr. Fogel raised the issue of investment in education. He warned of the “brain drain” affecting Israeli potential, and how the Israeli government had cut the education budget to 40 percent below the OECD level. Israel needed to reverse trends to ensure that it was on the map in the future. One idea was an Israel-India science foundation. Such bilateral links existed with the US, Germany and other leading nations, so it made sense to develop them with India too. There were, he said, many opportunities for collaboration in science and technology.

Mr. Arun Bharat Ram observed that in higher education, there had been a hiatus for ten or fifteen years. The new government would introduce a much higher budget which was hugely welcome. It would hopefully create opportunities for joint collaboration between Israel and India, such as those which currently existed between India and the US, India and Russia, and with other countries.

Mr. Giora Yaron spoke about the technology transfer company of the university. He said that there needed to be further work with the universities to invest in R&D. He pointed out that government would only subsidise these efforts to a limited extent, so they in the private sector needed to bridge the gap.

Mr. Anjan Das pointed out that the rate of Indians with a higher education was 11 percent, and this would rise to 25 percent in the near future. The budget was very high, at around one tenth of the entire budget.

A representative of MATIMOP raised the notion of a clean-tech forum. There was a plan to execute renewable energies in the desert and this was being budgeted by the Israeli government. There were opportunities for collaboration which would afford economic and social benefits. In biotechnology, Israel was also creating a biotech fund, a further strong area for collaboration.

Mr. Dov Tadmor raised the economic aspect of solar power, querying as to who would subsidise the difference between the cost of electricity and the cost of solar power.

Dr. Eli Opper said he felt the main issue was structural cooperation. The main way to solve problems was by enabling cooperation between governments, the private sector and the universities. All the major infrastructure issues entailed huge projects, involving R&D, finance and human resources.

A useful example was nanotechnology. In this field the Israeli government inaugurated unprecedented collaboration with donors and the Technion. He felt the delegates should end this session with a theme based on this kind of model.

Mr. Hari Bhartia said that the real challenge in India today was encouraging Indians to focus on research education at graduate and postgraduate levels. The Indian government had realised the need for grant money in fields such as nanotechnology, though solar power was neglected. However, beyond grant money, a sustainable infrastructure was also required. The education sector faced a challenge in cooperation with industry: how to translate academic research into viable commercial models. Government needed to take the lead on early stage science, because the lead would not come from the private sector.

There was also a sense that whilst the importance of clean energy was widely understood, the world's approach to dealing with it was not necessarily on the right track.

Ambassador Navtej Sarna observed that the discussion had outlined several ideas for the forum to explore, notably in terms of S&T collaboration and conjoining academia with the market. He mentioned that President Shimon Peres was promoting these issues.

He also suggested that with regards to solar energy, they might want to consider a focused conference specifically on solar energy to take place as a sub-forum of the principal one. Clean technology research was definitely called for. The ambassador suggested founding a number of scholarships for joint research/mutual projects in wind and solar technology.

Mr. Tarun Das concluded by noting the many opportunities for collaboration and the room for the businessmen and entrepreneurs present to see how they could take these ideas forward.

Tuesday, 8 September 2009

## Dinner Session with Prof. Stanley Fischer, Governor of the Bank of Israel


*Stanley Fischer, Governor of the Bank of Israel and Hari S. Bhartia, Vice President, CII and Co-Chairman and Managing Director, Jubilant Organosys Ltd.*

*Eli Opper, Arun Bharat Ram, Ambassador Navtej Sarna, Stanley Bergman and Isaac Ben-Israel*

*Kiran Pasricha, Aharon Fogel, Tarun Das, Stanley Fischer and Gary Sussman*

Wednesday, 9 September 2009

## SESSION TWO: INVESTMENT & FINANCIAL RESOURCES

Chairs: **Mr. Hari S. Bhartia,** Vice President, CII and Co-Chairman & Managing Director, Jubilant Organosys Ltd.

**Dr. Yoram Turbowicz,** Chairman, Azorim

Presenters: **Mr. Gopal Srinivasan,** Chairman & Managing Director, TVS Capital Funds Ltd.

**Mr. Yair Seroussi,** Chairman, Bank Hapoalim

**Ms. V. Sasikala,** CEO, State Bank of India (Tel Aviv Branch)

**Mr. Meir Shamir,** CEO, Mivtach Shamir Holdings Ltd.

**Mr. Eliezer Fishman,** Fishman Group


*S. Bhartia, Vice President, CII and Co-Chairman and Managing Director, Jubilant Organosys Ltd. and Dr. Yoram A. Turbowicz, Chairman, Azorim and former Chief of Staff of the Prime Minister of Israel*

Dr. Yoram Turbowicz set the context of discussions in terms of the global recession. He pointed out the uncertainty as to its long term effects. The Bretton Woods institutions and economic models of the twentieth century were undergoing major reform and the changes underway would take time to be absorbed. The system had been subject to massive shocks over the last year. Professor Stanley Fischer, Governor of the Bank of Israel, had spoken to the group at the previous evening's dinner about the prospect of W-shaped growth; circular growth or worse were also conceivable, in Dr. Turbowicz's view.

He stressed commonality between Israel and India, stating that cultural ties, mutual respect and curiosity were key ingredients for a successful bilateral relationship. He pointed to the terror attacks which occurred in Mumbai in 2008 as demonstrative of shared challenges.

Dr. Turbowicz also shared the view that the asymmetry of size lent itself to the natural "scalability" that had been previously observed. Financing was not a problem provided there was a good ROI, though global appetite for risk had dropped substantially. Savings and pensions portfolios meant that liquidity in the system was not a concern, and there seemed to be plenty of credit but a lack of borrowers. Dr. Turbowicz wanted to examine whether this was really the case and if so, how the problem could be dealt with. Dr. Turbowicz also questioned whether there was a place for government intervention in infrastructure, modelled on the success story of such intervention in venture capital.

Mr. Gopal Srinivasan gave the perspective from the view of private equity venture capitalists in India. He said there had been $10 billion of investment in the last year, of which 70 percent had been in the midcap sector. There was a market gap of less than $20 million. Private equity had a huge role to play in Indian growth and India required about three times as much over the next three years in order to maintain current growth rates.

He felt that India needed to upscale itself and to become the largest consumer base, though acknowledged that it did not have sufficient resources at present. Mr. Srinivasan felt that "frugal innovation" made a lot of sense.

He saw potential for Israeli capital – generated through pensions and insurance companies – to be invested even more smartly than it was already. He wished to explore whether private equity forms were a logical partner, as many Israeli firms were starting up businesses in India. Could private equity fill a void which FDI was restricted and limited? Private equity brought risk capital, infrastructure, and market knowledge, such as in the dairy business. Mr Srinivasan saw this as an enticing entry vehicle.

Another idea was based on the Yozma and Yozma II models of Israeli government intervention. (The Yozma concept had originated with Russian immigration in the 1990s; a venture capital fund of about $100 million was created, with a promise of government investment. Within specific risk parameters, twelve funds were created, and from 1993 to 1996, each raised upwards of $100 million). Was it possible to create a common fund and raise capital in this way to institute a new model?

Mr. Yair Seroussi, Chairman of Bank Hapoalim, Israel's leading bank, said that the Israeli banking system had overcome the worst of the global financial crisis. There had been some external losses but internally, capital markets were reopening. In the last three months, capital investment had peaked. There was new competition between the banks and also between capital markets.

Mr. Seroussi outlined how Israeli corporations were financing trade with India, in defence, telecommunications, agriculture and, indirectly, real estate entrepreneurship. He said that the Yozma and other initiatives were intended to manage debt, and Yozma in particular had been used for leveraging government intervention. Bank Hapoalim had advised New Zealand and other countries on the Yozma programme.

In Israeli hi-tech, Mr. Seroussi explained that government policy since the 1970s and 1980s had been to push the R&D side to compensate for Israel's lack of natural resources. This had brought Motorola and other hi-tech firms to Israel and created home grown technology companies too.

In terms of venture capital, Mr. Seroussi discussed the model that had been used with China and suggested that it could be applied for India-Israel too. He said that the combination of Israeli know-how and domestic investors had leveraged private equity in China.

Yozma and other initiatives had shown how, with courage, government seed money could lead to private investment and institutional capacity-building. Management of such funds had been entirely private; there was competition and whoever presented the best case for leveraging the maximum return could win the tender. Mr. Seroussi mentioned that a biotech fund was also being formed by the Government of Israel: several companies at the late stage of biotech development needed relatively large sums and had been forced to license their ideas too early. Government assistance would enable them to develop to a more advanced stage.

Ms. V. Sasikala, CEO, State Bank of India (Tel Aviv Branch), explained that the Indian financial system operated very differently to that in Israel and was far more regulated. The banking system played a major role and the derivatives market was still evolving.

She said that the Bank of India had been credited as one of the best managed central banks in the world. Gradual and sequenced reform had enabled it to withstand the shocks of the system and turn profits even at the height of the economic crisis.

Ms. Sasikala felt that Israel's strengths in the last three years had been in agriculture, home security and energy. Israel had an impressive ability to match its technology to its needs and demands. The Mumbai terror attacks had been intended to disrupt trade links but in reality had done the reverse.

Mr. Meir Shamir said that during the last ten to fifteen years, it had been very popular in Israel to invest in Eastern Europe, even more so than in the US or London. Today, he saw India as presenting a qualitatively different ball game compared to the Eastern European market.

One of his chief concerns was tax barriers. The incredibly high tax rate, above 50 percent for short runners, needed to be addressed. A treaty that would create a more efficient tax system would enable a great deal more business collaboration.

Mr. Shamir spoke of the importance of entering the Indian market with a competitive advantage, whether it be in know-how, branding or another area. He said that his firm had built three hotels in India; his experience had taught him that in order to collaborate successfully in India, one needed a strong local partner.

With regards to finance, Mr Shamir, felt that penetrating India was about equity. Until recently, it had been forbidden to import debt of more than $20 million to India, though this had been raised to half a billion dollars.

Another area of enormous potential in the Indian market was the dairy sector, in which India was the largest producer of raw milk in the world, three times bigger than its closest rival, the US. Mr. Shamir said he hoped to bring his firm's know-how to convert milk and yogurt produce to premium products in the Indian market.

Finally, Mr. Shamir spoke briefly about the potential of football. He said he wanted to collaborate to build football centres and would do so as a charity.

Prof. Gadi Ariav picked up on a theme that he had detected both last year and this; the consensus of fundamentals to implementation. He said that the good news was that a venture fund aimed at sponsoring joint projects already existed; the bad news was that it was not well known. Issues of market failure needed to be looked at more closely. He said that the India Israel Initiative for Investment in R&D was very small and operated under the chief scientist. Mr. Anjan Das added that the CII was involved with it in the areas of nanotechnology, water, science, space science and technology.

Prof. Ariav felt that the stress needed to be on 'complimentarity': Israel was strong in product innovation and India was strong in process innovation. He suggested that the Infinity concept (China) should be looked at seriously as a model in the India-Israel context.

Mr. Bhartia concluded the forum and mentioned both Infinity and Yozma as matters for pursuit over the course of the next year.

## SESSION THREE: TECHNOLOGICAL COOPERATION

*Chairs:* **Mr. Syamal Gupta,** Chairman, Tata International Ltd.

**Dr. Giora Yaron,** Chairman, ExaNet Inc., Itamar Medical Ltd., and Yissum Ltd.

*Presenters:* **Mr. Deep Kapuria,** Chairman & Managing Director, Hi-Tech Gears Ltd.

**Dr. Eli Opper,** Chief Scientist, Ministry of Trade & Industry

**Air Marshall Ajit Bhavnani (Retd.)**, CEO & Managing Director, Nova Integrated Systems Ltd.

**Mr. Zohar Zisapel,** Chairman, Rad Group

**Dr. Hadar Ron,** Managing Partner, Israel Healthcare Ventures

Dr. Giora Yaron mapped out three principal areas for potential cooperation in technology. First, infrastructure and clean-tech: in this, they were in the early stages, or the 'R' part of the R&D equation. Second, collaboration in healthcare. And third, hi-tech, where they were already at a much more advanced stage. Unifying the sector for customers was the next major project.

Mr. Gupta said that policy decisions were required in India regarding clean-tech, distributed and gas station power, and water resource management. The whole Ganges belt was being polluted and dealing with environmental issues meant addressing the misuse of the world's resources. Clean coal technology and the recycling of municipal wastage needed to become priorities.

*David Cohen, Chairman, F&C REIT Property Management India and Jonathan Morris, Partner, Berwin Leighton Paisner LLP*

Dr. Eli Opper expressed his view that a number of hurdles needed to be considered: intellectual property rights; the division of labour; profit allocations. It was clear that Israel had first-rate technology and that India had a vast consumer base, but it was also evident that India had quality technology, some of which surpassed Israeli innovation. Israel needed to focus on the fields in which it led: water, R&D in agriculture, energy and the environment.

Mr. Zohar Zisapel spoke about the communications sector, primarily data communications. He saw a great market in India: initial cooperation was straightforward but taking it to a more advanced stage was more complex. This was required for meeting growing customer demand for "complete solutions". Mr. Zisapel was also keen to examine opportunities for cooperation not just in the Indian market but also in other markets to which India had deeper access than Israel.

Mr. Deep Kapuria said that the forum had established a range of needs: from the government, the private sector and academia. As a private entrepreneur, he felt they needed to examine how to integrate academia and the value chain for the final customer.

He emphasised also that the focus needed to shift from the strategic value of the relationship, which was well established, to questions of implementation. He felt that a yardstick for the success of the forum ought to be its ability to match-make different businesses.

*Steven Kaye, General Partner, Israel Health Care Ventures; Dr. Hadar Ron, Managing Partner, Israel Health Care Ventures; Warren Roiter, Israel Health Care Ventures*

Turning to pragmatic issues for further collaboration, Dr. Hadar Ron, Managing Partner, Israel Healthcare Ventures, discussed clinical trials and medical devices. She noted that India had high quality hospitals, and that Israeli healthcare companies could expand their business operations to this market.

Dr. Ron noted that Israel did not manufacture in India largely for tax reasons, but there were common legal systems (stemming from previous British rule in both countries), and this enabled easy understanding of one another's contracts.

In biotechnology and drug innovation, India was a world leader in generics (drug development), and a joint fund would enable Israeli innovation for Indian implementation.

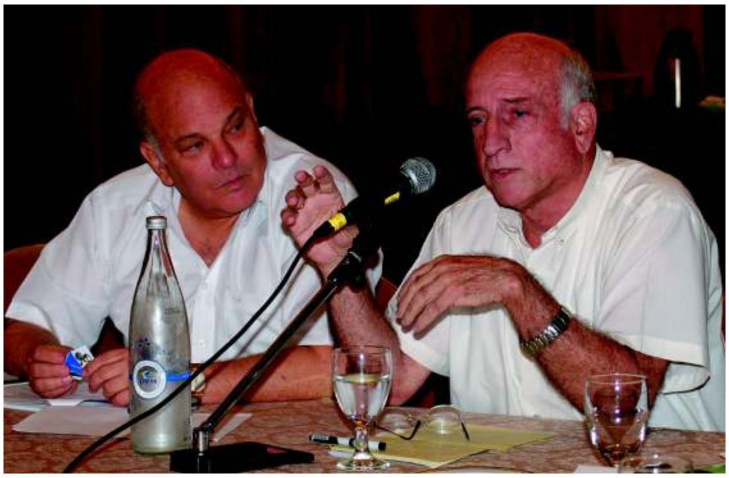
Mr. Bhartia responded that on the drug discovery side, there needed to be a shift to proof of concept and then phase three, where there were huge opportunities for collaboration. With respect to medical devices, Indian companies had brought down costs by as much as one tenth of those incurred by Johnson & Johnson and others.

Mr. Tarun Das said that Tata's collaboration with Warwick University potentially offered a model for Indian companies and Israeli universities. Dr. Ron agreed and emphasised that Indian companies could help bridge the gap in the middle of the process, between early and late stage development, if practical ideas could be implemented.

*Air Marshal Ajit Bhavnani (Retd.), CEO and Managing Director, Nova Integrated Systems Ltd. (a TATA-IAI joint venture) and Swapan Bhowmik, Managing Director, Haldia Petrochemicals Limited*

Air Marshall Ajit Bhavnani (Retd.) spoke about collaboration in the defence sphere. The joint venture of TATA and IAI was the first of its kind in which a vast Indian company had joined forces with an Israeli firm that was delivering the best equipment in the world, and this was enabling India to become defence self-sufficient. Defence procurement policy had created hurdles, and Air Marshall Bhavnani was impressed by the way Israel had persevered to overcome red tape. This had helped turn joint ventures into the new mantra of defence production. Not only large companies but small and medium sized firms were also using world class Israeli technology and know-how.

Mr. Stanley Bergman spoke about his company's work in medical products, which comprised a market of some $27.5 billion. He said they were looking for ready-to-go products for the European and North American markets, which were consuming huge numbers of pharmaceutical products. India, unlike China, produced consistently high quality finished products. He was keen to try to see how they could exploit the market to see where Germany and the US were presently producing expensively.



*Aharon Fogel and Eli Opper, Chief Scientist Ministry of Industry, Trade & Labor, State of Israel*

Dr. Eli Opper spoke about bridging the gap between academia and industry at large. He suggested they might think about schemes that consider intellectual property knowledge and the fusion of Israeli ideas with Indian processes, which was naturally befitting the asymmetries of size between the two countries.

Mr. Jonathan Morris talked about the role for the private sector, in addition to the work of the trade teams at the embassies. He proposed an Indian-Israeli Chamber of Commerce with professional staff – perhaps a CII contact – on the ground in Israel, and an equivalent in India. Prof. Ariav added that he had previously set up two task forces and that the forum could seek to push these forward.

Dr. Giora Yaron concluded on an enthusiastic note about the great deal Israel and India had to offer one another in terms of hi-tech. He said that the market had matured and was now at the stage where integration was key. Through integration, it would be possible to deliver complete products, perhaps reaching other markets beyond India too. Mr. Tarun Das added that the participants may wish to see how they might carry forward two or three specific ideas from the session.

## Luncheon Session with Dr. Uzi Landau, Minister of National Infrastructures, Israel – 9 September 2009

*Aharon Fogel; Ambassador Navtej Sarna, Dr. Uzi Landau, Minister of National Infrastructure, Israel and Ambassador Mark Sofer*

## SESSION FOUR: INDUSTRIAL & AGRICULTURAL COOPERATION

*Chairs:* **Mr. Aharon Fogel** (Co-Chair), Chairman, Migdal Insurance Financial Holdings Ltd. and Ness Technologies

**Mr. Vijay R. Kirloskar,** Chairman & Managing Director, Kirloskar Electric Company Ltd.

*Presenters:* **Mr. Dan Catarivas,** Director, Division of Foreign Trade, Manufacturers' Association of Israel

**Mr. Swapan Bhowmik,** Managing Director, Haldia Petrochemicals Ltd.

**Mr. Akiva Mozes,** President & CEO, Israel Chemicals Ltd.

**Mr. Arun Bharat Ram,** Chairman, SRF Limited

**Mr. David Kolitz,** Chairman & CEO, Acting President, Elul-Taramynd Ltd.

**Mr. Salil Singhal,** Chairman, Secure Meters Limited

**Mr. Meir Shamir,** CEO, Mivtach Shamir Holdings Ltd.

**Mr. M. S. Sudhaker,** Vice President (Products), NaanDanJain Irrigation CS Ltd.

Mr. Vijay Kirloskar, Chairman & Managing Director, Kirloskar Electric Company Ltd., discussed India's strengths in manufacturing, and linked prior discussions in earlier sessions on R&D to the three M's: manufacturing, money and marketing.

*Gadi Ariav, Head, Max Perlman Center for Global Business and Associate Professor of Technology and Information Systems Management, Tel Aviv University; Vijay R. Kirloskar, Chairman and Managing Director, Kirloskar Electric Company Ltd. and Aharon Fogel, Chairman, Migdal Insurance Financial Holdings Ltd. and Ness Technologies*

Mr. Fogel raised a more general point about doing business in a globalized world. He said that structural changes in the agriculture and industry sectors meant that, in order to optimise, marketing needed to be effectively borderless. He acknowledged that this was easier said than done, but he said that Israeli efforts should be focused at India with this in mind. The hi-tech revolution of the 1990s had shifted to integration in this last decade; optimising costs of R&D and relative advantage were crucial in the globally competitive marketplace.

Mr. Fogel felt that the Indian or Israeli governments ought to initiate a bi-national R&D fund. He suggested risk participation of $100 million and a proposal that initiatives created through partnership would be covered through it.

*Swapan Bhowmik, Managing Director, Haldia Petrochemicals Limited and M S Sudhakar, Senior Vice President, Jain Irrigation Systems Ltd*

Mr. Swapan Bhowmik, Managing Director of Haldia Petrochemicals Ltd., observed that India had become a major hub for refinery productions, which constituted roughly 3.5 percent of global refinery productions. With its large domestic and export markets, his company produced about 7 million tonnes per annum of polymers. He saw possibilities for bilateral collaboration at SME level.

Mr. David Kolitz, Chairman & CEO, Acting President, Elul-Taramynd Ltd., examined reasons for the success and challenges in bilateral relations. He pointed to commonalities of culture generally noting also that in business terms, Indians were process enthusiasts whereas Israelis wanted immediate results. He raised Israel's Atidim programme which he felt the Indians could adapt for themselves: it enabled young men and women to control large budgets and use the experience and ideas they develop when they finish their military service to create business opportunities. But he also noted challenges: India was an underdeveloped economy with an overdeveloped democracy, which caused licensing delays and other frustrations.

Mr. Arun Bharat Ram, Chairman, SRF Limited, described the transformation of Indian industry. He said that before 1991, India operated a highly inefficient command economy, with high tariff barriers, but had been through painful restructuring and was now competing globally. Industrial renaissance had led to the emergence of some interesting sectors, and India's continental economy had insulated it from the worst of the global downturn due its large domestic consumer base.

In addition, Mr. Bharat Ram said, India had begun over the last decade to reflect on its future market position. The manufacturing sector no longer perceived itself as mass producers, but rather as excellence providers in systems and processes. This was why the quality movement in India was very strong, and represented India's comparative advantage over China. India had also concentrated on certain niche markets, where it had become very efficient, such as textiles, where it focused on value added products. Over the next 5-10 years, Mr. Bharat Ram said he saw the scene again transforming;

intellectual capital was an area where collaboration could produce new models. He said he saw huge synergies between two entrepreneurial societies, both of which valued education very highly.

Mr. Dan Catarivas, Director, Division of Foreign Trade, Manufacturers' Association of Israel, said that most trade was in petrochemicals and diamonds, and that aggregate bilateral trade totals did not reflect the full potential. He identified certain cultural gaps which needed to be bridged in order to do so, and in this regard, saw key roles not only for the embassies but agreed with the idea of an India-Israel chamber of commerce. He also mentioned the Shavit programme at the Israeli Export Institute which taught a course in penetration of the Indian market.

Mr. Catarivas felt that the governments should examine the concept of a bilateral free trade agreement, which would ensure that Israel and India could operate on a level playing field with one another and in relation to other countries with whom either one of them had FTAs. He said that Israel was already examining this possibility with China.

Mr. Salil Singhal, Chairman, Secure Meters Limited, turned his attention to SME cooperation, and suggested bringing an SME delegation to Israel to look at practical measures. He singled out potential in the poultry, meat, dairy and fishery industries and in fruit and vegetable exports. Major structural reforms were required and over the next 5-7 years and massive changes were on the horizon in this sector.

*Giora Yaron, Chairman, ExaNet Inc., Qumranet Inc., Prolify Inc., and Itamar Medical Ltd. and Akiva Mozes, President and CEO, Israel Chemicals Ltd.*

Mr. Akiva Mozes, President & CEO, Israel Chemicals Ltd., spoke about his company's leadership in the field of organophosphorus and other niche fields, and two joint ventures with Indian companies. In his experience, India was a natural partner for Israel with naval access via the Red Sea and the Mediterranean.

M. S. Sudhaker, Senior Vice President of Jain Irrigation Systems Ltd., discussed problems of knowledge transfer owing to differences in the agricultural sector between both countries. He felt that Israel could help increase agricultural productivity because it had certain patent rights. He thought that an inter-governmental agreement would enable use of patented technology to mutual benefit.

Indian Ambassador Navtej Sarna closed by stressing the mutual gains of 'complimentarity' between the private and governmental sectors.

## IMPROVING RELATIONS: CONCLUDING SESSION

*Chairs:* **Ambassador Navtej Sarna,** Indian Ambassador to Israel

**Ambassador Mark Sofer,** Israeli Ambassador to India

*Presenters:* **Mr. Suresh Prabhu,** Former Cabinet Minister, Industry and Environment

**Mr. David Cohen,** Chairman, F&C REIT Property Management, India

**Mr. T. N. Ninan,** Editor & Publisher, Business Standard Ltd.

**Mr. Yitzhak Ben-Israel,** The Harold Hartog School of Government & Policy, TAU

**Mr. Tarun Das** (Co-Chair), President, Aspen Institute India & Chief Mentor, CII

**Dr. Giora Yaron,** Chairman, ExaNet Inc., Itamar Medical Ltd. and Yissum Ltd.

Ambassador Mark Sofer summarised the theme of business and economic relations that had characterised deliberations over the last day and a half; the lynchpin of the Israeli-Indian relationship. He remarked that a fuller understanding of the business relationship required some appreciation of the political history. He reminded participants that Israeli-Indian relations were only sixteen years old and that there were constraints, both external and internal, which needed appreciation.

Despite the will on both sides, India was grappling with domestic political and social upheavals and whether all of them were accurately depicted was less important than that they were perceived to be occurring. The ambassador said that in 31 years at the MFA, he had never encountered a more dynamic relationship than that which existed between Israel and India and the relationship. He pointed to many reasons: geopolitical, governmental, historical and cultural. He noted that family and education were at the cornerstones of both societies, and in his view, it was these priorities which defined the cultural affinity. There was an essential synergy, and it was represented by the crème de la crème of business leaderships from both countries at the forum.

Ambassador Navtej Sarna described the partnership he had experienced at the time of the Mumbai terror attacks in November 2008. He acknowledged that the nature of the relationship went far deeper than the discussions which had been held; for instance, in security, counter-terrorism and defence. He said that understanding the cultural sensitivities on both sides was crucial for all these relationships – from business to security.

Ambassador Sarna added that the tremendous potential of this group carried a special responsibility and it ought to focus on some specific issues. One might be reaching out to decision makers in the two countries, and he wanted to see more parliamentary and media delegations. It was agreed this would be a very important initiative. Another issue was the branding of India in Israel, which was under discussion at the embassy.

Mr. Suresh Prabhu expressed his delight at two days that had been both very informative and enriching. Political dialogue had been the foundation for a relationship which would benefit not just Israel and India but third party countries too. He said that India was entering a new phase in terms of terror prevention, and there was clearly a great deal to learn from Israel, which had lived in the shadow of terrorism for many years. He also noted that Israel had survived in a neighbourhood of enemies since its birth, and that whilst India was not in a comparable position, all its neighbours were unstable, failing states.

*Gadi Ariav, Head, Max Perlman Center for Global Business and Associate Professor of Technology and Information Systems Management, Tel Aviv University and Suresh Prabhu, Former Minister of Industry and Environment, Govt of India*

David Cohen paid tribute to the ambassadors. He said that it was clear from all the sessions that collaboration across a wide range of areas was possible. The key questions were how it would be implemented and who would champion it. The right vehicles needed to be in place to take the forum forward. He also noted the limits of joint ventures pointed to Ness as an excellent example of how Indian and Israeli businesspeople could operate together with a high degree of success.

Prof. Isaac Ben Israel reflected on his experience of India 30 years ago, before formal relations existed. He observed that the trajectory of relations had been incredible, and that it was no coincidence defence and business ties had been transformed. He said that the next stage was to develop fuller understandings of relative advantage: world

*T N Ninan, Editor & Publisher, Business Standard Limited; Salil Singhal, Chairman, Secure Meters Ltd; Isaac Ben-Israel, Professor, The Harold Hartog School of Government and Policy, Tel Aviv University* class technology and a continental market. He felt that all the sectors under discussion could thrive if the components – academic, industrial and governmental – were in place.

Prof. Ben Israel also proposed a student exchange programme, which he felt could secure the future of personal ties at the human level. He reminded participants that TAU offered an MBA programme in English, and encouraged Indian participation.

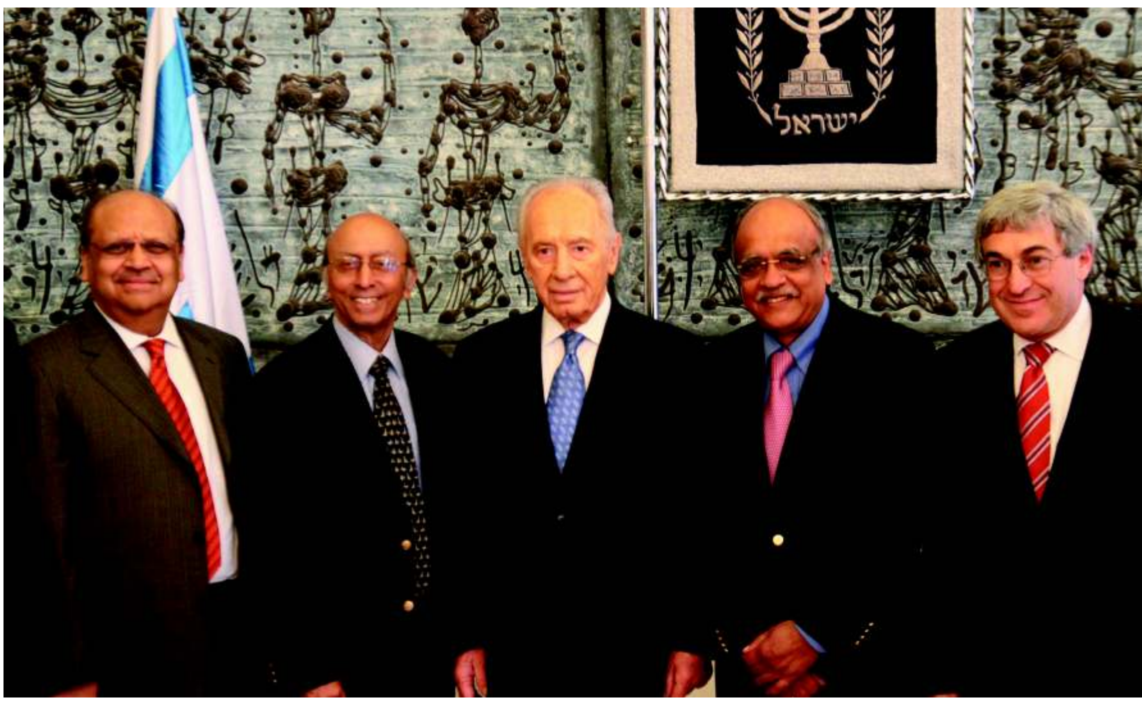
In order to turn ideas into practical solutions, Ben Israel proposed setting up some working groups or sub-groups, co-chaired by individuals from each country, and tasked with implementation and reporting back at the next meeting.

In closing the seminar, Mr. Tarun Das raised specific points to which the CII would commit:

- Sponsorship: organising delegations of MPs to Israel; sponsoring business journalist delegations; sponsoring a cultural festival in Israel next year;
- Trust-building: the second forum had built on the first; the third would build on the first two. They would be more frank and capitalise on the tremendous good will and strong ties;
- CII-TAU: the strong ties between the two organising bodies would be maintained;
- Accountability: the CII would create accountability and assign individual responsibility for issues such as finance and technology, with progress reports to be given next year;
- Forum: the governmental partnership had been scrutinised in 2005 and there was a wider strategic landscape which this forum could help foment.

10 September 2009

## Meeting with Shimon Peres, President of the State of Israel in Jerusalem



*Salil Singhal, Tarun Das; Shimon Peres, President of the State of Israel; Arun Bharat Ram, Stanley Bergman*

*Shimon Peres, President of the State of Israel with Indian participants and Co-Chairs of the India-Israel Forum from the Israeli side*

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