

20 IDEA EXCHANGE

NEWSMAKERS IN THE NEWSROOM

We (US and India) are so much stronger together than being apart. It's hard... and where there are areas of alignment, you're going to have friction... In the end, it goes back to trust and a common win-win opportunity



WHY JOHN CHAMBERS

John Chambers is chairman of US-India Strategic Partnership Forum. At a time when India-US relations are growing strong, he brings leaders, both from the government and business side, together. He was CEO of Cisco and under his leadership, its revenue grew from \$1.2 billion in 1995 to \$47 billion, when he stepped down in 2015. A

prescient businessman, in the past, he cautioned about investing in China, that inflation would displace the pandemic and that startup funding would tighten — all of which has come true. A recipient of the Padma Bhushan in 2019, Chambers has also received the Edison Achievement Award for innovation in 2016.



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Sandeep Singh: What makes you believe that India is going to become a superpower?

You have got all things going for you. Millions of engineers are educated per year. You have an entrepreneurship attitude. The future is going to be about startups and small businesses getting bigger. So, if you're going to employ 1.2 million more people a month, you better lead in innovation and startups or your future is in a tough spot... What Prime Minister Modi has done is outline the vision and strategy. If the policies he's putting in place stay strong for the next decade, then you've locked yourself into being the No. 1 economy. You will, at that time, probably be 30 per cent greater than the US, and you'll move probably 90 per cent greater than China. Whether that happens in 40 years or 70 years is purely a function of math: How fast do you grow and how inclusive are you? If you do it across all states, if you give everybody a chance to share in this, be it agriculture or healthcare, then I think the future is one of excitement.

Anant Goenka: Do you see this as the beginning of the end of China's political regime?

They have a tight control over society and it clearly is being run by one person. I think the extent to which their decline occurs versus what is possible depends on their leadership. The US has not done a good job of working through some of the relationships with China. The Chinese leadership, in terms of trust, win-win mentality, intellectual property protection and the ability to empower entrepreneurship and startups, had a very good hand. But, I think the issues are largely self-inflicted... Can that correct? Yes, but now, what's going against it is its demographics. When you have a population that is shrinking from 1.4 billion to 800 million, are citizens optimistic about their future versus are they concerned about having more than one child? Tough hand to play. That's one of the things we, the US and India, have to be very careful of, just because things are going our way now, don't assume that if we don't continue to take risk and make mistakes occasionally, that we'll be able to lead again.

Anant Goenka: We know that China's going to win this but is there something we're missing?

If you follow their five-year plan, they say exactly what they're going to do. However, the market is moving too fast for state planning to occur. Their leadership for four generations came out of the Beijing and Shanghai architecture, and those leaders understood business and the changes that are going on in the world. Current leadership comes out of western China where there is a concern about losing control, not as much exposure to the global area. I think China can be, and should be, a major global player and will be. It's just that I think they missed the opportunity here and it's going to be hard to regain. They are trying to get Foreign Direct Investment (FDI) and Venture Capital back in. They're trying to be more predictable and develop a win-win type approach. So, this is not a total win-lose.

Anant Goenka: Has China got the imitation right, better than the innovation?

If you look at where they were running with Jack Ma and others — they are innovative leaders. But they have really pulled their feathers. Part of innovation is about people who are comfortable operating outside the general guidelines within reason and have the ability to make it happen.

Zeeshan Shaikh: You say that AI will drive the next phase of the India-US relationship. Recently, India had an issue with Google and its new AI platform, Gemini. There have been some issues with social media companies too in the past. How do you think the Indian government needs to handle such issues?

I think some of the things, the social media companies brought it upon themselves. There are fair areas that the government should hold the major technology companies accountable. So it's fair to say there have to be guidelines and regulations as well as people spending time understanding them. But understanding what is possible and how you observe the fair requirements of the government and its process are key. Now you're going to say that slows down innovation. I disagree. If you watch what we did at Cisco with the internet — we were one of four key players, then No. 1 by ourselves. But we had no major regulation issues with any country. Now we gave nobody our code, including our own government. We tried when government had legitimate needs, we said there's a win-win here, let's sit down and say, how do you do it? So with regulators

'India will outgrow the rest of the world, if it continues on the path of inclusion'

John Chambers, Chairman, US-India Strategic Partnership Forum, on India's future growth, power of AI and challenges for startups. The session was moderated by Sandeep Singh, Editor (Mumbai)



John Chambers, Chairman, USISPF, in conversation with Sandeep Singh, Editor (Mumbai), at The Indian Express office in Mumbai Pradip Das

in Europe and Asia, it didn't matter whether you were India or China or the Middle East, we got along very well.

Zeeshan Shaikh: Do you think the government is trying to control these companies?

The ability to say what are the common issues and how do we get the guardrails in place and how do you learn (is important). Even though I considered myself an expert in AI two years ago, I am learning new things about AI, every day, especially from the new startups. The speed is scary and breathtaking. Deepfakes are going to be the biggest issue in cybersecurity... You saw what happened with Biden in New Hampshire with the robocalls, et cetera... Now leaders in the US on all sides — the Democrats and Republicans — are stepping up. Technology should never be tied to politics. You need to be able to quickly determine where this occurs. At the core of our society is: can you trust? If you lose trust, especially in communication, then that has huge societal implications. It's something that you ought to watch out for in elections because we have four billion people going into elections this year and make no mistake what's going to happen with interference from rogue nation states or parties. This is why you've got to have guidelines.

Rajesh Kurup: Will AI create jobs or take them away?

Every new technology has always destroyed jobs — mainframes, minicomputers, PCs, client servers, Internet and cloud. However, because you enabled so much more capability, job creation outpaced job destruction. My worry this time is that it's going to happen at such speed, it's very possible that 50 per cent of what consultancy companies do today will be handled by AI five years from now. It's very possible that well-run companies might be able to drive productivity at 10 per cent per year. And the math only comes out one or two ways. You make a lot more money, or you don't need as many people, and I think you want to learn how to do both... But if you want to look at an example that is fascinating, look at Le Post in France. Basically, it's a postal service, they reinvented themselves, and basically said: What are the new areas we can move into? They moved into package delivery, which is a logical extension, then into pharmaceutical delivery and checking on elderly and things of that type. Out of 250,000 employees and seven unions, they trained 230,000 on AI over a year ago. So that there wouldn't be a fear of its coming... So the point is, this is a time where you better disrupt yourself or you're going to get disrupted... Getting

your data in the format your processors can make decisions is key. You've got to be careful not to build in bias into the information in how you write the programmes. This is where working together is key... America and India can lead in AI. If we miss this opportunity, we have nobody to blame but ourselves.

Sandeep Singh: Do the biggest of the companies also run the risk of getting irrelevant if they don't adapt to AI?

Absolutely. Completely... Which was the first country to move on digitisation? India. I went to the US and begged (them) to come up with a digital strategy... If you miss a certain wave, you've got to jump to the next wave. China's probably going to have to skip a generation. If you were to look back, five years ago, in the US Defense Departments, among the top 20 technologies, China was leading in 15. They were good at innovation. I think they've really operated with one hand behind their back and it's hard to pick up momentum once you lose it. How many technology companies, once they started down, have ever come back to true leadership? Apple? Maybe Microsoft. It's hard.

Anant Goenka: We don't see any major business model from any AI company now, unless you're in the infra, right?

No, it's the reverse. You can move with such speed and productivity on the business model. If I can show customers how they can increase their productivity by even five per cent a year, I can sell them a lot of products... The issue is how do you make it easy to use and consume. And it's too early to say who the winners are. I disagree that people say the winners on the large modules have already been determined, the winners in AI have already

been determined. Are you going to see the current leaders in cloud and social media be one or two of the leaders for AI? I think you will. If that's true, that's the first time it's ever occurred in the industry. Never has IBM become the leader of the mini-computer, the leader in PCs, the leader in client servers, etc. But they have huge economic wealth. And guess what? They are paranoid and only the paranoid survive. Those large companies know disruption. In fact, if you watch the unicorns that reset, they're going to basically get back to how quickly can you get to profitability and free cash flow, which is even more important than growth.

George Mathew: What is your forecast for the US and India for 2024?

It is subjected to how your next government leads. I think you've locked this in for quite a while. No country is immune to global economies. What happens in the US or India is also affected by what happens in China, Africa, Europe etc. I have never seen a more unstable political environment in my life. Geopolitics can affect economic growth. I think the people who said the US innovation engine is over, clearly, were wrong. Probably innovation has never been faster in recent times than it is right now in the US... I think the people who said India is just going to be a slow follower, maybe not a copier like China, in terms of intellectual property, but a copier in the business models, were all so wrong. Now, it's a matter of strategy and vision. You've got to operationalise it and you've got to execute.

This is where I worry that India and the US will take the foot off the pedal. This is one of the things that I believe strongly — we're so much stronger together than either one of us apart. It's hard... where there's natural areas of alignment and

there will be times where you're going to have friction. And among friends, you've got to be able to navigate through that friction, because we're going to have some. But in the end, it goes back to trust and a common win-win opportunity. I think India will outgrow the rest of the world, especially if you continue on the path of inclusion. But you've got to lead on AI. You don't have to be the dominant player, but you've got to lead for the economy to do well, 10 years from now. I think the US will grow a couple of points slower than India.

Soft landings only occurred one time in 60 years. We probably are in one, and I'm amazed, because we've been six months away from economic downturn for three-and-a-half years. Now, government policy or mis-executed by the Fed could absolutely put us in the slowdown again. And I worry about the US being so divided. But I think for India, you see the numbers, six to seven per cent... You could do the math on when India becomes the number one economy... 2024 will be the decade of AI. We are entering a decade of revolutionary technology change combined with business change that will affect every life.

Joydeep Ghosh: You have been bullish about the startup ecosystem. However, in the recent times, we have seen investors being wary of the sector.

They should be nervous; 90 per cent of startups fail. So, investors shouldn't be putting all their money into a single startup. VCs never do that. The VCs make probably 80 per cent of their funds pay back from five per cent of the companies they invest in that fund. So, if you're investing in startups, you've got to spread them.

Joydeep Ghosh: Ideas going wrong is one thing. On the other hand, we are talking about indiscretions in terms of profitability.

You have to hold them accountable, put them in jail. If you don't make examples, things continue. If you make too many examples, you freeze the system. Governments have to say if you cross the line, if you deliberately mislead your investors, you have to be held accountable.

Piyush Shukla: With what's happening with Israel and the Middle East, do you think it's a time to be optimistic for 2024?

If you look at CEOs, what's on their mind, geopolitics is probably on the top. Inflation has got to be in the top three. AI is second and I am starting to see security to be the third. About geopolitical issues, there's more occurring at one time...

There's US-China friction, Taiwan, Iran, the rapidly changing Middle East, North Korea... This is the new norm we live in. I don't think it's necessarily good... but you can't run your life saying what if. You've got to be prepared and maintain a balance.

Anant Goenka: The four biggest startups in India are in trouble. They had investments from all over the world.

If you raised money in 2021, you are probably really struggling... In that era, what the market rewarded was purely growth at any cost. So many of these companies do not have a design on profitable cash flow and growth... The risk involvement is the hard part and this is why I think as an individual investor, people have to be careful and sophisticated in this area... Startups will be the majority of your job creation, 10 and 15 years out. For a startup going public, in the US, it's now 13 to 15 years, it used to be seven. So, if you don't do investment in parallel with the startups, you're not going to create the jobs we need.

Hitesh Vyas: How do you rate India in terms of ease of doing business?

In terms of improvement? 100. In terms of how far we got to go, 100... The good news is, there's so much progress. But with India's supply chain manufacturing, we aren't moving fast enough. We've got to be able to manufacture here in India for a cost below than what other parts of the world are going to do...

Sandeep Singh: How do you think India is positioned right now in terms of engagement of business and investments with the US?

It's very good. Modi crossed the chasm on the relationship with the US and the US crossed the chasm the other way — that's Republicans and Democrats. Both sides got to it.

Sandeep Singh: But we're not seeing those multi-billion dollar investments happening.

Money is tight right now. Almost every fund raise I do is a little bit below than what I thought I would get. And I can usually get money from multiple places in the world. So, money is really tight...

Anant Goenka: If Modi were to lose the election in 2024, will it hurt India's economic progress and growth?

I think you have the best leader in the world at present on economic growth and inclusion. My worry is more on the reverse. What happens after Modi? And can whoever comes, follow him and maintain the same momentum and growth?



You have to hold them (defaulting startup companies) accountable, put them in jail. If you don't make examples, things continue. If you make too many examples, you freeze the system