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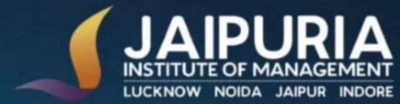

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LATEST HAPPENINGS, DEVELOPMENT AND RESEARCH IN MANAGEMENT

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Economics

Poll effect on capex: Historical data does not confirm significant jump in corporate capex post-election

In FY23, corporate savings are estimated to be 14.1% of GDP, the same as in FY22.

By Nikhil Gupta

According to official statistics, corporate (public as well as private financial and non-financial companies) capex in FY23 accounted for 14.8% of GDP, an improvement from its two-decade low of 12.9% of GDP in FY21. However, it remained the same as in the pre-pandemic years (FY17-FY20) and much lower

than its all-time peak of 21.6% of GDP in FY08. This single set of data holds the answers to two very important questions that dominate the current economic discussions in India:

1) Despite a 47-year low household net financial savings (HHNFS), why isn't India's current account deficit (CAD) wider?

2) Will private corporate capex pick up after the general elections, assuming political stability prevails?

The first question pertains to the present (and the recent past), while the second question is speculative and concerns the future. Due to the lack of an increase in India's CAD, many analysts have disregarded the collapse in HHNFS. However, one must remember that CAD represents the entire economy's behaviour, and the household sector is only a subset of an economy. The answer to the first question lies in the sea change witnessed in the behaviour of India's corporate sector after the great financial crisis (GFC) of 2008. Corporate investments ins India experienced a sharp dip post-GFC, dropping from its peak of 21.6% of GDP in FY08 to around 17% of GDP over the next few years (up to FY16). Subsequently, there was a further decrease to around 15% of GDP leading up to the pandemic.

At the same time, corporate savings declined from 14% of GDP in FY08 to about 11% of GDP in the immediate years post-GFC, but have since rebounded to 14% of GDP from FY15 (averaging 13% of GDP between FY19 and FY21). In FY23,

corporate savings are estimated to be 14.1% of GDP, the same as in FY22. It means that while corporate investments are significantly lower than their peak (or a decade ago) levels, corporate savings are nearly equivalent to the peak level observed in FY08.

Consequently, the corporate sector has shifted from being a huge net borrower (higher investments vis-à-vis savings) until the early 2010s to being a marginal borrower in recent years. During the past seven years (including the pre- and post-pandemic years, i.e. FY17-FY23), its net borrowings have averaged only 0.8% of GDP, compared to 7.7% of GDP in FY08 (see graphic). On the one hand, the lower net borrowings of the corporate sector reflect its muted confidence (or the need) to invest; on the other hand, it signifies the capacity that the corporate sector has to increase its capex whenever it chooses to do so.

In any case, it is the weak corporate investments (or lower borrowings on their part) that are keeping India's CAD contained, despite a sharp decline in HHNFS. If HHNFS remains low (to which many commentators do not give too much importance right now) but corporate investments pick up (as is almost unanimously believed), the CAD will undoubtedly widen. This is exactly what happened in all three previous episodes of investment recovery in India in the late 1980s, mid-2000s, and early 2010s.

This brings us to the second question: Will corporate capex pick up strongly from FY25 onwards after the elections are over, assuming political stability? We resort to historical data to answer this question, and while it does not take our hopes away, it also certainly does not provide a lot of enthusiasm. A look at the movements in corporate capex — in nominal terms — in the pre- and post-election two-year periods since 2004 confirms that while it picked up strongly in the post-election period vs. the pre-election period in 2004 and 2009, the growth difference was not significant in the last two elections (2014 and 2019).

Although almost all election years were influenced by certain events/developments, there are two key takeaways: post-election growth in corporate capex has been better than the pre-election growth in three of the last four elections; and there was only a marginal pick-up in growth post-2014 elections, and corporate investments grew slowly after 2019 elections (based on the FY20-FY23 average). The last two elections, I believe, hold more weight than 2004 and 2009 to understand the potential scenario post-2024 elections.

Further details suggest that public sector undertaking (PSU) investments exhibit greater volatility than those in the private sector. In 2014, the improvement in corporate investments in the post-election period was largely driven by PSUs, while the same sector was responsible for the weak growth in the post-election period in 2019. The average growth in private corporate investments during the

pre- and post-election periods in 2014 and 2019 was narrow-ranged, between 11% and 13%.

Overall, past data, especially from the last two elections, does not confirm a significant increase in corporate capex post-election. However, it could still happen if the central government decides to revert to the pre-2021 arrangement, pushing capex through public sector enterprises, while it focuses on fiscal deficit consolidation. If so, even though corporate capex improves, it will only offset the lower government capex. At the same time, if private corporate capex also picks up after the election, we must be well aware of the constraint posed by lower HHNFS, as a benign CAD could go out of hand. (FE07052024)

INTERNATIONAL TRADE

Whither India-China trade?

Make in India was meant to reduce dependence on China, but that hasn't been the case.

By Santosh Mehrotra and Sarthi Acharya,

India-China trade has undergone significant changes in the last two decades. India went from a positive balance of trade with China at the turn of the century to a heavily negative trade balance a decade later, which continues to grow. In the last three-four years, trade and other relationships have been tense, stemming from

geopolitical tensions. India implemented Make in India to reduce economic dependence on China. Has it made a difference?

In 2011-12, the trade deficit with China was about $39.4 billion. Yet the manufacturing sector had grown, and so did manufacturing employment from 10.5% to 12.8% (2004-2012). From 2015, when Make in India became an official policy, oddly, things went south: demonetisation, a badly designed GST, no consistent industrial policy, no change in R&D structure or volume, and increased inequality in the economy resulted in India's GDP growth rate to gradually slow until Covid when it actually contracted at almost twice that of the world economy. Manufacturing share in gross value added (GVA) fell from 17% to 13%, and manufacturing employment also fell in absolute terms for five years after 2016-17. Make in India evidently did not take off also because of aggressively priced Chinese imports making inroads; manufacturing employment fell in absolute terms for five years from 2014 onwards, only recovering in 2022. India's goods exports also fell from their peak of $318 billion in 2013-14 for five years, and did not recover to the same level until 2020.

Meanwhile, the bilateral trade in 2019-20 was roughly $87 billion, with India's exports to China accounting for around $16.6 billion and imports at about $70.3 billion ($53 billion deficit). In 2022-2023, India's trade deficit with China ballooned to $83.2 billion — about 32% of India's total merchandise trade deficit.

The main exports from India to China are mineral products, chemical products, and metals — raw materials. The main imports from China to India are machines, electronics, chemicals, white goods, textiles, and chemical products — value-added finished products. China discourages manufacturing exports from India on one or the other technical grounds. Efforts to address trade imbalances, enhance market access, and promote mutual investments have been ongoing. However, India decided not to join the Regional Comprehensive Economic Partnership precisely because it was concerned about China getting even higher access to India's markets, and the trade deficit worsening.

Several Indian industries have been impacted by the rising Chinese exports. For example, China's exports of solar panels to India was equivalent to 2.3 gigawatt (2023), which was a reduction over the previous year as India imposed an import duty of 40%. However, Reuters now reports that India might cut its import duties on solar panels from 40% to 20% to meet its non-conventional energy targets for 2030. This will again provide a huge advantage to Chinese exports and a blow to the fledging Indian manufacturers.

Next, India's pharmaceutical sector also significantly relies on China for bulk drugs and drug intermediates; they form 43% of India's total pharma imports. Moreover, India's dependency on China for key starting material surpasses 50%. Also, India sources active pharmaceutical ingredients (API) from China, essential components in medicinal formulations, though some of it decreased in the last

two years due to the performance-linked incentive scheme. Yet, nearly 70% of India's API needs are met by imports, with 60% still from China. India earlier had the capacity to make APIs (especially in public enterprises), but due to aggressive price-cutting by Chinese firms and minus an industrial policy they could not survive.

Third, India claims it has made strides in modern electronics. Surprisingly though, it remains critically dependent on China for several products: electronic integrated circuits and micro assemblies; electrical apparatus for line telephony or telegraphy; transistors; semiconductor devices; transmission apparatus for radiotelephony; televisions; and many white goods. Another example is mobile phone. While India has become the second-largest handset maker by the country of origin definition, 70-85% of the main parts are sourced from China, Korea, Japan and other countries.

All the sectors consistently suffered from an inverted duty structure (IDS). Since 1991, the structure of tariffs have been at the source of India's manufacturing problems, and de-industrialization. Twenty years ago, India signed a series of free trade agreements with Korea, Japan, and ASEAN. As a result, finished/consumer goods tariffs were reduced, so imports flooded in; but tariffs on raw materials/intermediates used as inputs for domestic manufacture of the same goods were higher — thus an IDS emerged, reducing the effective rate of protection (ERP) — which allowed finished goods to flood India's markets. ERPs

show IDS existed for paper/paper products, chemical/chemical products, pharma, computer, electronics and optical products, machinery and equipment, and other transport equipment.

One sector that did not suffer from IDS was automobiles. As a result, India has become one of top four global manufacturers of two-, three-, and four-wheelers, and also an exporter. However, India's auto industry is dependent on China for auto parts which embed more electronics. Data from trade and industry sources indicate an influx of various auto parts from China, including but limited to engine parts, electronics, plastics, ion-lithium batteries, and body components. This trend is particularly pronounced in segments such as e-vehicles: two-wheelers, and passenger and commercial vehicles. The proportion of Chinese imports in India-made cars is estimated at about 30% (~$20.3 billion).

In sum, in the absence of an explicit industrial policy, the share of GVA contributed by manufacturing, that stood at 17%, fell from 2015 but has just recovered. Three aspects stand out:

1) India spends 0.69% of GDP on R&D compared to 4+% by China. Being a five times larger economy, this translates to China spending 20-25 times more on R&D than India does.

2) In the absence of indigenous design capacity, innovation is still limited in India. Without a policy focus on building both design capacity and R&D, industrial policy is incomplete.

3) China has a far-reaching industrial and trade policy, coupled with an aggressive foreign policy to destroy others' manufacturing capacities and make them indebted to it. Indian policies are short-sighted, which thwart its industrial and thus employment growth. (FE07052024)

Building resilient India-Europe trade ties

In the domain of global trade, the alliance between India and Europe stands out for its vast potential and bright prospects.

By Sunjay J Kapur

As we strive to achieve India's $2 trillion export target by 2030, we must prioritise the removal of tariff and non-tariff barriers that hinder the efficient flow of trade

In the domain of global trade, the alliance between India and Europe stands out for its vast potential and bright prospects. Exploring the forthcoming business and trade scenarios, particularly through the prism of free trade agreements (FTAs)

with Europe, underscores the critical importance of acknowledging the collaborative efforts that drive us toward a stronger, more resilient partnership.

Towards this end, the historic India-EFTA Trade and Economic Partnership Agreement (TEPA) is the first FTA inked with a binding commitment from the European Free Trade Association (EFTA) countries to invest $100 billion in India. It is a promising development. India is currently engaged in active discussions regarding ongoing FTAs within Europe, including the recently signed EFTA agreement with Switzerland, Norway, Liechtenstein, and Iceland, as well as negotiations with the European Union and the UK, which are nearing finalisation.

The relationship between India and Europe is characterised by its depth and diversity, spanning historical, economic, and cultural dimensions. With Europe standing as India's third-largest trade partner, the magnitude of our economic synergies cannot be overstated. Bilateral trade between India and Europe expanded significantly over the last decade, rising to $185.16 billion in 2022-23. India's exports to Europe increased to $96.90 billion in 2022-23, while imports went up to $88.26 billion. India saw a trade balance of $8.65 billion with the European economy during 2022-23.

Against this backdrop, further discussions on a bilateral trade agreement between India and EU and India and the UK hold immense promise. However, our success

in these negotiations hinges not only on economic considerations but also on our capacity to integrate ethical, environmental, and social dimensions into the framework.

By aligning our efforts in these areas, we can lay the groundwork for a partnership that not only drives economic prosperity but also fosters inclusive development and societal well-being. By incentivising collaboration between Indian and Europe businesses, the FTAs can pave the way for a mutually beneficial partnership. It is imperative, however, that Indian industries align their offerings with the demands of the European market to fully capitalise on this opportunity. By focusing on products with significant import potential in Europe, we can unlock new avenues for trade and investment.

The journey ahead necessitates a deeper level of collaboration, aligning policies and regulations while recognizing the unique economic and social contexts of each region. Firstly, there is a need for collaboration across borders, sectors, and industries. Accelerating the transition to a circular economy requires the sharing of knowledge, resources, and best practices. Secondly, a pivotal aspect is the investment in innovation and infrastructure that supports circular practices, such as recycling, remanufacturing, and product-as-a-service models.

These practices not only diminish waste but also generate new business opportunities and jobs, thereby fostering economic growth. Particularly

noteworthy are the areas of e-waste and packaging design-for-recycling, offering substantial opportunities for collaboration. The third crucial aspect is education and awareness. Shifting mindsets and promoting the adoption of sustainable practices among consumers, businesses, and governments are imperative. Cultivating a culture of responsibility towards our environment can create a powerful movement towards zero waste.

Yet, as we chart our course toward enhanced economic cooperation, we must also confront the challenges posed by evolving regulatory landscapes. Measures such as the Europe's Carbon Border Adjustment Mechanism (CBAM) and Deforestation Regulation underscore a global shift towards sustainability.

While these regulations present obstacles for Indian exporters, they also emphasise the urgency for our industries to embrace sustainable practices and enhance compliance measures.

Looking ahead, it is clear that sustainable and inclusive growth will define the future of international trade. As we strive to achieve India's $2 trillion export target by 2030, we must prioritise the removal of tariff and non-tariff barriers that hinder the efficient flow of trade. Diversifying trade relationships and increasing investment flows will not only spur economic growth but also create employment opportunities, knowledge-sharing, and foster shared prosperity.

To navigate the complexities of the future business and trade landscape, innovation will serve as our greatest asset. By embracing forward-thinking solutions, addressing challenges head-on, and demonstrating a spirit of collaboration, we can build a partnership that transcends borders and lays the foundation for a resilient and sustainable future. (FE03052024)

DIGITAL MARKETING

Measuring visual content success: Key metrics and analytics for brand performance

By customising visuals to fit the format, style, and audience behaviour of platforms like Instagram, Facebook, and TikTok, brands can effectively capture attention and drive desired outcomes.

By Ritu Bain

In the swiftly changing terrain of digital marketing, the influence of visual content in shaping and communicating a brand's story is profoundly significant. Visual content is a cornerstone of global sports organisations' branding strategies, enabling them to convey their identity, engage fans, and expand their reach across diverse demographics and markets. In the dynamic world of sports, where passion and excitement abound, visual content serves as a powerful medium to engage fans, drive loyalty, and enhance the overall spectator experience. Whether it's showcasing thrilling game highlights, behind-the-scenes glimpses of athlete training, or compelling stories of perseverance and triumph, visual storytelling captivates audiences, fostering a sense of belonging and camaraderie among fans worldwide.

Analysing the effectiveness of visual content is crucial in modern marketing strategies, often measured through metrics such as engagement rates, click-through rates, and conversion rates, aided by advanced analytics tools and AI technologies.

The Cornerstone of a Strategic Visual Content Approach

Adopting a visual content marketing strategy begins with a clear articulation of marketing objectives. Ensuring that visual content goes beyond mere creativity to become a strategic asset supporting your broader marketing goals is paramount. Every element, from images and videos to interactive graphics,

should resonate with the target audience and be displayed through the most impactful channels to increase visibility and engagement. It involves tailoring visual elements to convey brand stories, values, and offerings to the target audience. By understanding audience preferences and behaviors, brands can create immersive experiences using imagery, videos, and infographics. This approach aligns visual content with marketing objectives and integrates seamlessly into broader campaigns.

Measuring Impact Through Advanced Analytics

In today's competitive landscape, the importance of measuring impact and adopting a data-driven approach cannot be overstated in marketing strategies. By delving into comprehensive metrics and harnessing the power of advanced analytics tools, businesses gain a deeper understanding of how their marketing efforts resonate with their audience. This detailed analysis enables organisations to uncover valuable insights into consumer behaviour, campaign performance, and ROI. Armed with this information, marketers can make informed decisions to refine their strategies, allocate resources effectively, and optimise campaign performance for maximum impact. Ultimately, embracing a data-driven approach empowers businesses to stay agile, responsive, and ahead of the curve in an ever-evolving market.

Brand Sentiment Analysis: Deciphering Emotional Engagement

Visual content plays a pivotal role in brand sentiment analysis by offering a rich source of emotional cues and engagement indicators. Incorporating visual elements such as images, videos, and infographics into marketing campaigns allows brands to evoke specific emotions and resonate with their audience on a deeper level. By analysing the visual components of content shared across various platforms, businesses can gain valuable insights into how consumers perceive their brand. Visual cues such as colors, imagery, and design aesthetics can influence the emotional response of viewers, shaping their overall sentiment towards the brand. As such, visual content serves as a powerful tool for deciphering emotional engagement and understanding the underlying sentiments of consumers. By leveraging visual storytelling and creative content strategies, brands can effectively convey their message, evoke positive emotions, and foster stronger connections with their audience, ultimately influencing brand sentiment in a meaningful way.

Video Metrics: Engaging Audiences Effectively

In the realm of digital strategies, the role of video content has become increasingly paramount. Focusing on key metrics like completion rates and average watch time is essential in gauging audience engagement effectively. Leveraging AI analysis enhances these metrics, providing brands with valuable insights to refine their video content for optimal engagement. For instance, our client, the Vietnam Basketball Association (VBA), utilises the allure of basketball

to inspire youth towards positive lifestyle choices, leveraging video highlights on social channels. Through the integration of AI-powered video solutions, VBA witnessed an impressive 70% increase in video viewership within just one year. These solutions employ algorithms to analyse and optimise highlights, tailoring content to individual viewer preferences.

Customising Content for Platforms: Ensuring Resonance Across Digital Channels

In today's digital landscape, the strategic adaptation of visual content for various platforms is imperative to ensure resonance and maximise audience engagement across diverse digital channels. Tailoring content to suit the unique characteristics and preferences of each platform enhances its impact and effectiveness. By customising visuals to fit the format, style, and audience behavior of platforms like Instagram, Facebook, and TikTok, brands can effectively capture attention and drive desired outcomes. Through meticulous customisation and optimisation, visual content can seamlessly integrate with the user experience on each platform, fostering deeper connections and enhancing brand visibility in the digital sphere.

In conclusion, visual content remains at the forefront of modern marketing strategies, offering brands a powerful tool to convey their message, engage audiences, and drive meaningful connections. By embracing advanced analytics, AI technologies, and platform customisation, brands can unlock the full potential

of visual content, staying relevant and impactful in today's dynamic digital landscape. (EF07052024)

MARKETING

Navigating the competitive landscape. How to stand out in festive season marketing

To stand out in the festive season marketing, a brand or company has to be innovative and flexible

By Ankit Agrawal

Business community in general is very curious about how the market is faring for other businesses, whether the market is up or down or how a certain business will

cope up in the financial year, etc. India is an evolving consumer market, with the consumption of FMCG goods increasing daily and we have seen that especially after COVID consumers want to buy reliable products from popular brands.

E-Comm, Modern Trade, and Quick commerce are gaining popularity with the newer generation of consumers as all the products from Agarbatti to Sneakers to electronics are available at click of a button. Physical retail shops have not lost their luster as well as Indian consumers still need to touch, feel, and smell the product before buying. With these 2 sets of consumers, consumption of goods is increasing but there is a flipside to this. We keep hearing stories that manufacturers are not happy with the business shaping up, goods are not being sold, etc. From a point of view of a company who are growing in double digits, I feel competition has increased at a higher rate than consumption and consumers have more options of the same product.

To stand out in the festive season marketing, a brand or company has to be innovative and flexible. By being flexible what it means is to come out of your comfort zone and try something new like new product range, new offers and more. Being flexible in today's market actually adds to the aura of a brand and opens up a new consumer base for them. Flexibility for a brand includes understanding the consumer requirements and amending the product, understanding the competition and ensure the brand is equipped to take on the competition.

Secondly innovation will definitely help the brand and company to stand out. Especially during festive season, introduction of new products catering to festivals like Diwali help in giving the consumers more options for gifting or to create the perfect festive ambiance at home or office. Festive packaging plays an important role in creating brand recollection. For e.g – With Zed Black, we introduce some unique product like Bambooless Incense Sticks, Orva Reed Diffusers, Manthan sambrani Dhoop cups, Samarpan Puja Samagri Series or packaging to coincide with major festival. This has helped us in reaching out to our target audience with an offering specially for them. Specific product packaging for festivals like Diwali, Holi, and Christmas are a major part for a brand to attract consumers and to sell the products. Competitive pricing plays an all important role in enticing the consumers during the festive season. Innovation has to be affordable. The products should be priced in such a way that it gives value to customer apart from something new.

Brand must learn from previous festive seasons through consumer feedback and market survey to come up with products, offers, and more to suit the consumer and which will bring the consumer back to the brand.

A brand has to adapt and be alert to what the competition is working on. If a competitor is launching a new product or service, it is imperative that you add changes to a product or service which give more than the competition. Visualizing

and anticipating what the competition is doing and countering it with a proper marketing strategy will help with the sale and create awareness for the brand.

In conclusion, you can always navigate through competition and festive season is by being flexible and by being innovative, which ultimately has to be has to be meaningful to customer in both in terms of value of the product, price of the product, affordability and usage of the product. (FE08052024)

ARTIFICIAL INTELLIGENCE

Charting the complex path to AI regulation and access: harmonising national interest and multilaterism

India has been playing an active role in being the voice of the Global South, actively engaging in initiatives like tackling debt challenges and broadening representation to encompass African nations

By Vinti Agarwal

Artificial Intelligence (AI) is undeniably among the most groundbreaking technologies of the 21st century, offering unparalleled advancements across diverse sectors. As its influence continues to expand, governments worldwide are increasingly acknowledging the necessity to tackle ethical challenges, reduce potential risks, and prevent misuse. This highlights the urgent requirement for regulatory actions to guarantee the responsible development and deployment of AI.

This article highlights the need for international cooperation and a multilateral approach for establishing a framework to promote open, safe, trusted and accountable digital economy across various regions.

Path towards regulating AI is far from straightforward

As countries worldwide endeavor to develop regulations for AI, there's a growing recognition of the necessity for a multilateral approach. The European Union has recently achieved consensus among all 27 member countries on the AI Act after

nearly three years of resistance from certain members like France. Despite being hailed as a landmark legislation, uncertainties linger regarding its enforcement and implementation.

In a parallel development, India, initially inclined towards nurturing a robust AI sector without legislative interference, has recently shifted its approach. This shift was prompted by a troubling incident involving Google's Gemini AI chatbot disseminating inaccurate and misleading information about the Prime Minister. In response, the Ministry of Electronics and Information Technology (MeitY) issued an AI advisory regarding the deployment of AI systems by online intermediaries. Initially, the advisory introduced a new approval mechanism, requiring platforms to seek explicit government permission before releasing AI models still in development to the public. However, they later revised the advisory, eliminating the need for explicit approval.

Meanwhile, shortly after President Joe Biden's executive order prohibiting American investments in sensitive technologies in China, including AI systems, the United States has signaled a willingness to collaborate with Beijing on the secure deployment of AI systems.

Amidst these developments, there is a strong demand to include the needs of the Global South in shaping the future of AI, emphasising the need for representation and inclusivity in international discussions and decision-making processes

concerning AI regulation and deployment. India has been playing an active role in being the voice of the Global South, actively engaging in initiatives like tackling debt challenges and broadening representation to encompass African nations.

The intricate regulatory landscape surrounding AI, coupled with the involvement of various stakeholders and geopolitical considerations, underscores the need for multiple global institutions to address its complexities and ensure equitable access to AI technologies.

Harmonising National Interest and Multilateralism

Recognising this imperative, international organisations such as OECD and UN have also taken significant steps to formulate guidelines and frameworks to govern AI technologies. Furthermore, several international declarations such as the Bletchley Declaration and New Delhi Declaration have played a pivotal role in shaping the global agenda on AI governance.

While commendable progress has been made with organisations and countries coming together to address the issue, there is a growing demand to bridge the gap between existing high-level multilateral principles and practical implementation through unified standards and alignment of disparate national regulations. This entails developing concrete measures to ensure that the principles outlined in international agreements are effectively translated into actionable policies and

practices at the national and organisational levels, thereby fostering greater coherence and consistency in AI governance worldwide.

Valuable lessons can be derived from the World Trade Organisation's (WTO) implementation of various multilateral agreements, which have effectively addressed complex global issues and promoted equitable economic development. Through facilitating negotiations among member states and setting common rules and standards, the WTO has significantly contributed to fostering a trading system that is more open, transparent, and predictable.

At the international level, a similar approach can be considered. First, multistakeholder forums should consider implementing Multilateral Instrument (MLI) that all countries can adopt. WTO may consider developing rules to ensure free and accessible data flows and technology. However, the only limitation is that each contracting state may not fully encompass the economic and political dynamics unique to every state. As an alternative, a model law approach can be adopted to assist countries in enacting their national legislation.

Second, an AI innovation index similar to the Ease of Doing Business Index can be introduced that can rank countries by the simplicity of rules and innovation-friendly regulatory framework, thereby encouraging countries to enhance their AI governance frameworks.

At the domestic level, while India has been taking significant steps towards the development of AI, such as constituting committees, establishing Centers of Excellence, and allocating a budget for India AI mission, effective policies require careful consideration. To this end, India may consider the following steps.

Firstly, institutionalizing a comprehensive program on AI by establishing a dedicated department within the Ministry of Electronics and Information Technology (MeitY). This department would house AI technology experts, technology lawyers, and public policy professionals. Its mandate would include initiating capacity-building initiatives and workshops to educate and train relevant stakeholders on AI.

Secondly, setting up an AI expert body within the Ministry of External Affairs to oversee and coordinate multilateral efforts related to AI governance and diplomacy. This institutional framework would ensure India's proactive engagement in shaping the global discourse on AI while also addressing domestic challenges and opportunities associated with the technology. (FE07052024)

Thank You...