

Monthly Newsletter

December 2023



Dear Reader,

It gives us great pleasure to share with you the December 2023 Newsletter of R M Consulting that focuses on the just concluded COP28 summit in Dubai, how India can increase its share of global trade, and on AI that the Collins Dictionary has chosen as its Word of the year 2023.

Accordingly, this Newsletter contains:

- R M Consulting's analysis of the agreement reached at COP28 on fossil fuels and how it may impact India,
- CII National Committee Chairman on Exports & Imports and Patton Group Managing Director Mr Sanjay Budhia's views on India's exports arena,
- Indian Chamber of Commerce President Mr Ameya Prabhu's views on AI, and
- R M Consulting's perspective on what India needs to do to stamp its presence in AI.

As always, we would look forward to your comments and suggestions on the Newsletter.

Happy Holidays from all of us at R M Consulting.

COP28 delivered a win that few expected



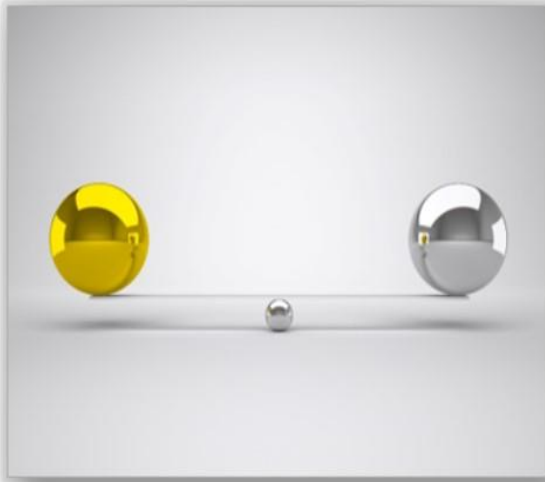
Synopsis

Contrary to what many had thought initially, the COP28 climate conference in Dubai boldly went where no previous summit had gone before and scored a major win by succeeding in obtaining an agreement on the touchy issue of fossil fuels.

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Ultimately, COP28, despite the scepticism that had preceded it in some quarters, did deliver on the fossil fuels front in the true spirit of unite, act, and deliver.

Reaching an agreement to transition away from fossil fuels in a just, orderly, and equitable manner struck a fine balance between ambitious climate action and ensuring climate justice. By simultaneously making it clear to the fossil fuel sector that it can no longer be business as usual for that arena and, also, ensuring that developing countries had the space, they needed to make an orderly transition to clean energy and could take care of their energy independence and energy security needs.

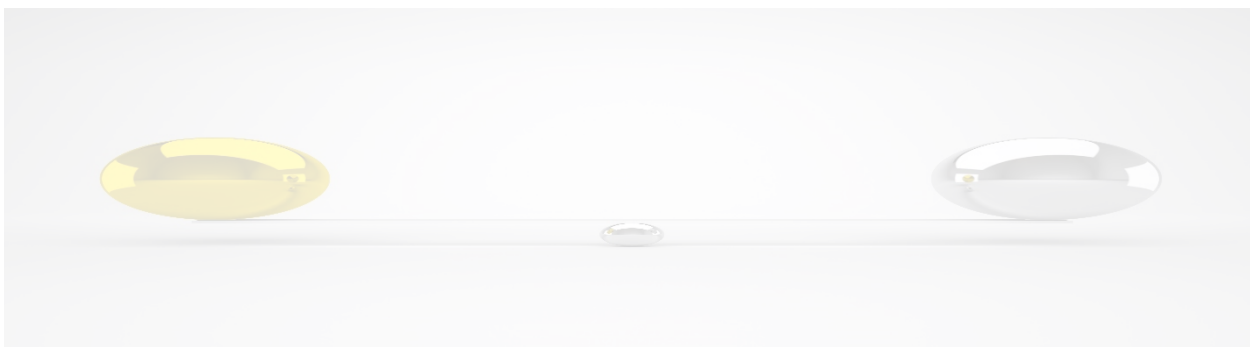


While only time would tell about the extent to which this agreement reached at Dubai would change the situation on the climate change front given that clean energy transition requires the infusion of trillions of dollars, for the moment, though, one can rejoice in the fact that at least a global consensus has been reached on such a touchy issue as fossil fuels. Let's take that win and more vigorously pursue the issue of climate finance from now on.

The G20NewDelhi Leaders' Declaration had noted the world's requirement of \$4 trillion per year for clean energy technologies by 2030 "to reach net zero emissions by 2050". According to the International Energy Agency (IEA), "coal still supplies just over a third of global electricity generation" and that coal "will continue to play a crucial role in iron and steel production until newer technologies are available" even as it gets gradually replaced for use in power generation.

From an India perspective, the agreement reached on fossil fuels at COP28 should not unduly bother it much as the country, in any case, has been making concerted efforts to increase the share of non-fossil sources in its energy mix as part of an aim to generate 500GW of renewable energy by 2030.

As on October 31, 2023, renewable energy sources (including hydro) had a 42.1 percent share of India's total installed generation capacity. If nuclear was to be added to the mix, non-fossil fuels (renewable energy sources and nuclear) had a 43.8 percent share of India's total installed generation capacity. At 48.6 percent, coal had the biggest share of installed generation capacity in the fossil fuel category.



India can export AI solutions & services in several sectors: CII National Committee Chairman on EXIM Sanjay Budhia

Synopsis

*India's large talent pool and growing AI research can lead to innovation in healthcare, finance, and other sectors, creating exportable AI solutions and services, feels CII National Committee Chairman on Exports & Imports and Managing Director Patton Group **Mr Sanjay Budhia**.*



With India taking giant strides to increase its share of global trade, **R M Consulting** reached out to **Mr. Sanjay Budhia, CII National Committee Chairman on Exports & Imports and Managing Director of Patton Group** to seek his views on various aspects connected with the country's exports arena.

Edited excerpts:

Q. What steps do you think are required for India to become a bigger player in the global trade arena?

Ans. India is becoming a rising star in global trade and is now the preferred trade partner to all the major economies of the world. India's overall exports grew 14 percent and stood at a record \$770 billion plus (Rs 64 Lakh Crore) in 2022-23, aided by robust services exports. Meanwhile, merchandise exports grew 6 percent to \$447 Billion (Rs 37 Lakh Crore), which is a new high.

Between 2010 and 2020, India's global export share stagnated below 1.8 percent. But in 2021, its merchandise exports have grown significantly. India is fast making its presence felt in global trade dynamics and it is a matter of time when it becomes a significant player and an economic powerhouse.

Buoyed by India's strong performance on the export front, Government of India has announced a new Foreign Trade Policy which outlined India's ambitious plan to clock \$2 trillion (Rs 165 Lakh Crore) in exports by 2030.

The announcement of the new Foreign Trade Policy which has a strong emphasis on reduction of transaction costs, e-initiatives, MSMEs, internationalization of INR and e-commerce exports will further enhance the country's foreign trade potential and will put India at a leadership position in the global trade map.



The many reform measures of the government and initiatives such as the launch of the National Logistics Policy and Gati Shakti - National Master Plan have played a pivotal role in making the trading environment more conducive for enhancing the country's foreign trade efficiency.

One of the game-changing initiatives of the government is the National Logistics Policy which intends to reduce the cost of logistics from 14-18 percent of GDP to 8 percent by 2030.

Pro-active and forward-looking policy reforms and incentives, favourable trading policies, and cost-sustained efforts amongst others such as the 'Make in India' initiative are making it easier to do business in India. Countries and global firms are reducing their dependence on other traditional and legacy partners for their supplies and are diversifying businesses into India.

Q. Which are the new emerging sectors and markets that you think India can target for increasing its share in global trade?

Ans. India has historically been very strong in engineering exports which contributes almost 26 percent of India's total merchandise exports. This sector is also highly labour intensive and since India is self-reliant in this area, focus

on the engineering sector will provide an added incentive for employment generation.

Electronic goods have also contributed massively to the export surge from India. The segment benefitted from several PLI schemes, such as the Scheme for Large Scale Electronics Manufacturing and the Scheme for the Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS). Through the



integration of 'Assemble in India for the World' into 'Make in India', India can raise its export market share to about 3.5 percent by 2025 and 6 percent by 2030.

Few other legacy sectors that India can capitalize on are healthcare and pharmaceuticals where it can cater to the growing global demand for affordable generic drugs and medical devices. India's rich agricultural resources and growing organic farming sector can provide opportunities for exporting organic food products, textiles, and cosmetics. India can invest in 3D printing technologies and advanced manufacturing techniques to produce customized and innovative products for various industries. To continue with the robust growth in exports, the government is diversifying its export basket from traditional to contemporary destinations with high-end value products.

In the case of new and emerging sectors, India has a unique opportunity and potential to capitalize and increase its global trade share. **Some promising areas to consider are sustainable and green technologies such as Renewables and EVs.** India has ambitious renewable energy targets, making

it a potential hub for manufacturing solar panels, wind turbines, and other clean energy technologies. With a growing domestic Electric Vehicles market and government support, India can become a major player in EV battery production, charging infrastructure, and related components.



India's large talent pool and growing AI research can lead to innovation in healthcare, finance, and other sectors, creating exportable AI solutions and services. With increasing cyber threats globally, India can offer expertise in cybersecurity solutions and services, including threat detection, incident response, and data security.

In the interest of market diversification and building supply chain resilience, India should also look at newer emerging markets in Africa, Latin America, and East Asia. These regions present a diverse market with growing consumer demand. Strengthening trade ties with countries in these regions will facilitate market access and promote cultural and business exchanges and increase exports.

India should set up Trade Promotion Body with dedicated offices overseas for branding and promotion activities as well as providing marketing services to Indian exporters. The existing multiple Export Promotion Councils may be merged or undergo consolidation and brought under the purview of the Trade Promotion Body. Industry feels

that this could further help in the areas of trade facilitation, capacity building and awareness generation and would assist in achieving the desired targets of \$2 trillion exports by 2030 and make India a global economic powerhouse.

Q. How do you think that the proposed FTA with the UK is likely to benefit India?

Ans. To supplement the vision for high exports, India's new FTA strategy becomes very important. The new approach on FTA is based on free and fair trade, balanced and reciprocal trade, time-bound, comprehensive negotiations and handling contentious issues with an open mind.

India has recently revamped its FTA strategy and signed free trade agreements with the UAE, Australia, and Mauritius, and is also currently negotiating with EU and the UK. India had previously signed FTAs with Japan, Korea, and Malaysia in the last decade to get greater market access and enhance exports to these countries.

The government's massive global trade outreach programs have positioned India as an aggressive and trustworthy trade partner. The recently signed Economic Cooperation and Trade Agreements with Australia and the Comprehensive Economic Partnership Agreement with UAE have shown the world that India has confidence and is self-reliant and is ready to open its doors to become a long-term trade partner.

The FTA with the UK would certainly help the Indian economy to boost exports as trade would be much higher with the partner countries, increase market access, and India would also reap the benefits of remittances, but everything would depend on improving the price competitiveness of Indian exports and ensuring regular monitoring and compliance of the different aspects of agreements and negotiations. FTA facilitation centers could be developed which will become one-stop points of information on all FTAs by India and aim to reach out to exporters for developing markets in FTA-partner countries.

Need an open debate on AI: Indian Chamber of Commerce President Ameya Prabhu

Synopsis

*India requires more discussions on AI to maximise the benefits of the technology and minimise its risks, feels Indian Chamber of Commerce President **Mr Ameya Prabhu**.*



India needs to have an open debate on artificial intelligence to ensure that the technology can be a force for good for the country's 1.4 billion plus people who make up almost 18 percent of the global population. So feels Mr **Ameya Prabhu**, President, Indian Chamber of Commerce (ICC). ICC counts among the country's most respected voices on issues related to business, economy, and sustainable development.



Speaking to **R M Consulting**, Mr Prabhu said there should be greater deliberations on how artificial intelligence is likely to impact the jobs scenario in the world's most populous country and ensure that AI creates more jobs than what it

would destroy given the necessity to provide economic security to citizens.

There should also be more discussions on the mechanisms that should be adopted for AI-related retraining/ reskilling initiatives and the steps that need to be taken to reorient the education system to increase its focus on AI. The measures that must be put in place, including in the form of guardrails, to address ethical concerns surrounding various advanced artificial intelligence technologies, too, ought to be talked about more, he added.

“We need to fundamentally relook at what AI is, how is it that it is going to impact the economy, how it’s going to impact social and civil life, and accordingly bring laws towards that,” Mr Prabhu said. The recent deepfake video of an Indian actor which had gone viral underscored the urgent need for effective steps to protect the dignity of citizens and save them from such form of harassment, he pointed out.

Incidentally, the [Bletchley Declaration](#) by countries that attended the UK AI Safety Summit on November 1-2, 2023, where India was also represented, had taken note of risks posed by AI through its capability to “manipulate content or generate deceptive content”.



The ICC President said while he was a great believer in technology, it was also his view that technology advancements should not be allowed to reach a point where machines became the ones in-charge. A “global agreement on AI” could prevent such a possibility from turning into reality, he added.

Notably, on “Harnessing Artificial Intelligence (AI) Responsibly for Good and for All”, the [G20New Delhi Leaders’ Declaration](#) had reaffirmed its “commitment to the G20 AI Principles (2019) and endeavour to share information on approaches to using AI to support solutions in the digital economy”, “pursue a pro-innovation regulatory/governance approach that maximizes the benefits and takes into account the risks associated with the use of AI,” and “promote responsible AI for achieving SDGs.”

For AI, India needs its own trailblazing innovators

Synopsis

For India to stamp its presence in AI, it needs to produce innovators on the lines of OpenAI's Sam Altman who can redefine the world of artificial intelligence technologies.



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As India aims to become a major player in the AI arena, it would be in the fitness of things that the country produces its own versions of trailblazing innovators like Sam Altman who can come up with advanced artificial intelligence technologies that can transform the lives of people worldwide in ways not thought of yet.

Otherwise, as a nation, we may always be playing catch-up in a domain where the goalposts get shifted almost every passing day. And that would be unfortunate considering that India, the world's most populous nation, also has one of the highest numbers of scientific and technical personnel globally.

OpenAI is where it is today because of the huge impact that it has made on the AI space in such a short span. And that is exactly the sort of influence that our local AI innovators should aim at exerting on the world of artificial intelligence.

Efforts must be made to incentivize India's brightest minds to come up with breakthrough AI technologies that can totally change the rules of the game, and not have these super intelligent people restrict themselves to coming up with tweaked, cheaper versions of technological applications already introduced elsewhere.

For the incentivization process, it may be worth exploring the mechanism being employed by the UK in the form of the [£1 million Manchester Prize](#) “for pioneering AI innovations tackling some of society’s biggest problems” in line with that country’s objective of “placing the UK at the forefront of the AI revolution, supporting the best and brightest to develop the technologies of tomorrow”.

The recently formed National Research Foundation (NRF) could also step in to provide financial assistance to identified AI projects that rank highest on the innovation parameter. Apart from progressive domestic corporate groups supporting such innovations, as Microsoft did in the case of OpenAI right from the start.

At the end of the day, a country intending to make that giant leap from a developing nation to a developed one cannot and should not be satisfied with being one of the biggest users of AI. India must stamp its presence in AI and to do that home-grown audacious innovators with the ability to dream big and turn those dreams into reality is what it needs to have in large numbers.



R M Consulting Advisor in the Media



To ensure AI benefits all, India needs to put guardrails in place

— SUMALI MOITRA | DECEMBER 15, 2023 / 08:42 AM IST



COP28: India must highlight perils of a one-size-fits-all strategy on phasing down fossil fuel use

— SUMALI MOITRA | NOVEMBER 29, 2023 / 01:13 PM IST





For providing feedback on this Newsletter & to get in touch for any Liaison, Media Relations, or Internal & External Communications-related requirements of your organization, contact us at:

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