To

The Secretary
Competition Commission of India
9th Floor, Office Block – 1
Kidwai Nagar (East)
New Delhi - 110023

**17th April, 2024**

**Subject: Conference conducted by CCLE on the 'Competitiveness of the AI industry in India'**

Dear Sir/ Ma'am,

This is to inform that we had organized a conference on the **'Competitiveness of the AI industry in India'** on 12th April, 2024 (Friday).

Some of the panellists at the conference included:

1. **Mr. Ratneshwar Prasad,** Former Member, CCI
2. **Ms. Anupam Sanghi,** Founder, Anupam Sanghi & Associates
3. **Mr. Vinod Kumar Wuthoo,** President, India SME Forum
4. **Dr. Shilpi Bhattacharya,** Professor, Jindal Global Law School
5. **Mr. Sumit Jain,** Founding Director, CCLE (Moderator)

Please find attached the memorandum of the conference along with the minutes.

Please let us know if you have anything to discuss and we will be looking forward to meeting you in-person.

**Best regards,**
**Sumit Jain**
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**Memorandum of the conference conducted by CCLE on the 'Competitiveness of the AI industry in India'**

1. It was broadly agreed that there is huge potential underlying when it comes to the development of AI markets. It, however, remains important how a country unlocks this potential. This potential could lead to positive innovation, but it could also cause harm to the involved stakeholders if not implemented properly.

2. The importance of investment in the AI markets couldn't be emphasised further. It is extremely important for the Indian government to allocate funds for the development of AI as any lack here would cost the country both technologically and economically. The US and China are already leading the race and India cannot afford to lag behind. The industry may supplement the investments made by the government.

3. There are myriad of use cases in AI. From Google maps to telecommunications to medical systems, the pro-efficiency effects of AI are clearly visible. There is a long way to go both nationally and internationally when it comes to increasing the AI's share in the economy.

4. The negative effects of AI are equally concerning. Some of them include reduction in the number of jobs, breach of user privacy, prevalence of biases in the system, subsequent discrimination and development of the industry in the favour of few Big Tech players.

5. One fact which stands out is that while there are multiple producers at various levels in the AI stack, FM as a layer remains concentrated. For instance, the number of GenAI start-ups working in India is more than 60, however, none of them are working on FMs.

6. From a competition standpoint, it is important that we learn from the past and act in a timely manner before the markets tip. The paper published by the CCLE mentions about the AI stack. There is an apprehension that the market is forming in a certain way and the Big Tech might get bigger. The experience from the past hasn't been very encouraging. We need to study the market early on to understand its implications. Any delay in action might result in strengthening the incumbents. Fundamental principles of fairness, transparency and contestability have to remain at all costs.

7. The view on the proposed Digital Competition Act is divided. The proponents of it see theories of harm already being developed thereby suggesting that a separate legislation is warranted. The conservatives, however, are of the opinion that obligations imposed on the Big Tech are too onerous. This might result in inefficiency as opposed to proposed innovation. The views are particularly varying when it comes to prohibiting bundling as an anti-competitive practice.

8. There is a requirement for an enhanced capacity at the CCI. This enhancement has to be in the form of technical manpower which could understand engineering and making of the technology. The Commission also needs to focus on market studies by adopting a more collaborative approach ensuring all the stakeholders in the AI industry have their voices heard. Last but not the least, the regulator may have to develop a theory of harm rooted in the Indian context which could back its decision making.

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**Minutes of the Conference**

**Date**: April 12, 2024 (Friday)
**Time**: 1800 hours IST

**Moderator**: How is AI shaping up across the world? What is the scope and limitation of this development?

**Panellist 1:** AI is going to change the world in the coming years. It started in the 19th century but with the advent of various technological developments, access is now much easier. There are three types of machine learning, i.e. normal learning, general learning and deep learning. Deep learning could be further classified into various types depending on the industry. The use cases of AI are many. One could use it to portray a younger version of an older man, automated driving and so on and so forth. There is a study which shows 47% of the total jobs world over will go away due to AI. AI is ultimately a tool which might be used for the benefit of the people, or harm them. Though the process has just started, India needs to make due investments in AI to ensure growth. AI might reduce competition in certain areas, but it might result in increased competition in other sectors. The US and China are already leading the race when it comes to making investments in AI. Any gap here is likely to result in a setback. This gap is currently visible in the global technology scenario.

**Moderator:** AI is seen as pro-competitive in certain sectors, but it is also restricting the contestability in other areas. How do we address this?

**Panellist 2**: Digital markets are of varied kinds. It is difficult to just brand them as 'gatekeepers', or 'Big Tech'. There are different business models, i.e. some are innovation-based, some are transaction-based and then there are intermediaries (B2B and B2C). There are platforms which are innovative and then there are platforms which promote innovation and value addition. Some examples could be the Android and iOS ecosystem. AI fits into the picture. One can use chatGPT for various reasons. This age is ready to observe a future-shock which might be worse than a cultural-shock. There is a big change in the supply chain from brick-and-mortar to platform markets. It is important to understand the markets. With great benefits might also come great harms. It is important to develop a theory of harm related to data, privacy and existing biases. Blanket pronouncements like ex-ante rules might not help. Advent of AI may be as phenomenal as the advent of electricity. We certainly have a long way to go.

**Panellist 3**: AI has been there for a long time. One example could be Google maps. They do predictive analysis in terms of how much time one will take to reach a destination. The development of AI has been primarily constructive. Another example could be a supplier being able to figure out on which date the consumer will run out of grocery supplies based on the data available for the last 12 months. Another example could be virtual assistance in medical systems. The scope is amazing. The question is - what is India doing? I think India is doing a pretty big amount of work. There are many companies like Dunzo, yellow.AI etc. which are working on AI. I think more than the government it is the industry which is putting in the money. They are understanding the potential and making investments. Of all the examples, I know the MSME department in the Government of India introduced a Champions portal which is a single window portal assisting MSMEs across the country through 60-70 control rooms. The credit for the development of AI also goes to a huge talent pool in terms of individuals which are around 5,00,000 - 8,00,000 in numbers. My understanding is we will contribute USD 15-16 trillion to the global economy by 2030 through AI. There are also a lot of challenges. One is demographic dividend. Ai is likely to result in job losses. This is more so wherever tasks are repetitive. Then there are questions relating to existing biases in the system. Google maps might sometimes go wrong on account of festive seasons. These biases might ultimately lead to discrimination. Accountability is another big concern. Accumulation of large data also sometimes results in user privacy violation. Draft DCA says you cannot identify someone to show advertisement. That's ridiculous. An MSME will never be able to put an advertisement in Times of India or telegraph. There are also certain limitations in the process. The prime question is what is the role of the government in ensuring AI flourishes, and it does not over regulate it. We are also in a very competitive landscape. World over, countries are making use of it. When we talk about investment and expenditure on AI, India's share is likely to reach USD 12 billion by 2027.

**Panellist 4:** This is a moment of inflection for us. No one really knows what will happen in the future. There is a lot of scope for innovation and risks associated with it. What we need to learn from the past is to act timely and not wait for the markets to tip. Even though the markets are at a nascent phase, it is forming in a certain manner. AI is a technical area but the paper published by the CCLE mentions about the AI stack. Be it computational power, foundational model, availability and processing of data or making of applications, one could see a lot of innovation is happening. When we talk about foundation models, there are huge barriers to entry and Big Tech has the prominent position suggesting concentration of the market. The CCI is already doing a study on this and we need to study this early on to understand its implications. Timely intervention is key as once markets are closed, options to innovate become limited. This is true in the case of digital markets. AI is an industry with a lot of potential but the question is - Are we harnessing the potential to innovate, or are we just waiting for the dust to settle where powerful players have become more powerful? We need to be clear what kind of investment and acquisitions are being made. For instance, Microsoft invested in openAI.

**Panellist 4 (continued**): We are already behind the curve given what has preceded in the last three years. It cannot be emphasised more that we need to follow what is going in the markets to harness the potential of AI and ensure that we are not dependent on certain powerful players.

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**Moderator**: This takes me to another area of discussion which is how competition landscape panning in the AI? When we talk about APIs, there is a report by NASSCOM which suggests that there are more than 60 startups working in this area, however when it comes to developing FMs, we score a blank. This converges with the larger point brought out by one of the panellists that the US and China are investing heavily into AI which would mean they will have their own FMs. An open question is should competition authorities be concerned about AI and if the answer to that is yes, what should be the approach taken by them to tackle these concerns?

**Panellist 1**: AI is a disruptive technology. When competition law was first made, it was based on the 'Wealth of the nations' by Adam Smith where price fixing used to happen over actual discussion. But now whole things have changed. Now you don't have to sit together to fix prices. An example could be the airline sector. The prices offered by all the companies on a given route are more or less the same. From a strict legal standpoint, it is difficult to hold contravention but this fixing is equivalent to manslaughter. There are entry barriers in AI markets and people might go out of business. Amazon is a case-in-point. The hope is that with AI there would be increased competition. The current law is not suited well to look into AI markets. In fact, the term 'data' is not defined under the law.

**Panellist 2:** We need to understand markets. We need to check whether tipped markets and new emerging markets are the same. 'Network effects' and 'access to capital' are also used in a blanket sense not realising the fact that funds and networks flow wherever there is innovation. We need to carve out a theory of harm; whether the incumbents are driving efficient players or inefficient players out of the market. I think the tech markets do bring in efficiency and innovation. Earlier it was said that data is the new oil but now we know plain vanilla data is of no use; similar things might be true for FM. It is time to dig deeper into the research. For instance, bundling might be anti-competitive and pro-competitive at the same time. We are not discussing the 'harm' caused at this point. We could possibly develop standards such as FRAND. Blanket rules are certainty of no help.

**Panellist 3:** Some instances might be helpful. Earlier there were STD/ ISD booths and people were paying to get these connections. Then came pager and then came mobile. While the responses to these technologies differ, what's certain is that technology will keep developing. Innovation will happen. One question is what sort of governance framework are we looking into? There are no easy answers. COVID-19 is an example of how platforms came to the rescue when brick and mortar failed. Any bureaucratic hurdle put in the development of AI in the country would put us back in the global race. We need a more balanced approach which may be called 'collaboratory'. This would mean the government collaborates with the industry, civil society organisations, users and consumer groups to develop the relevant standard. A word on the proposed DCA is warranted. Banning bundling is idiotic. For instance, if one buys a google cloud account, you get 15 other things. If you unbundle this, no MSME on earth is likely to make use of it.

**Panellist 2**: If consensus has to be built, there has to be an expert in the process which provides impartial advice. One has to think of counterfactuals. Interoperability also has limitations. Evidence based thinking is required to identify harms.

**Panellist 3 (concluding thoughts**): Regulation is a big issue. As an economy, there is huge potential. We need to work together. We need not copy paste regulations from elsewhere. This government from last ten years has been looking into this copy paste idea and changing it, that is the approach we require. Ultimately, we need to balance innovation with harm.

**Panellist 4**: There are two concepts in competition - competition for the markets, and competition in the markets. Digital markets are competition for the markets. It simply means that you are not there to mark a presence in the market but you are there to establish the standard. Clearly, the standard of competition also differs. Therefore, the regulatory approach also has to differ. For all the examples discussed here, disruption has always been there. There is a cycle of creation and destruction and that is how it should work. In this case, we are not seeing the cycle. What is happening is that one monopoly is moving from one sector to another; new players haven't come in. The competition authority has to take this on a case-by-case basis. If big players are becoming bigger, competition is taken for a toss. Ultimately, fundamental principles of fairness, transparency and contestability have to remain. This would mean we need to know more about how AI systems develop, we also need to look into the terms & conditions basis which players in the market interact. The experience in digital markets hasn't been very encouraging to say the least. We certainly don't want that to happen in AI.

**Panellist 2**: I think we need to define what is contestability and fairness. Abstract definitions won't work. This goes without being said that dominant players don't want to be less dominant anytime soon.

**Concluding remarks**

**Panellist 1**: No one can stop an idea whose time has come. AI's time has come. If you will bring a regulation in India, India will be left behind in the global race. What is required is more manpower in the CCI which could understand algorithms and technology on its own terms.

**Panellist 2:** I would like to emphasise on market studies. A robust theory of harm has to be developed. This would result in better implementation of commitments and settlements, enhanced innovation and no false positives. We also cannot have light regulation. If overdosing is harmful, under dosing is also not an option. It is imperative that policy is made on the touchstone of collaboration and multi stakeholder approach.

**Panellist 3 (concluding thoughts**): Regulation is a big issue. As an economy, there is huge potential. We need to work together. We need not copy paste regulations from elsewhere. This government from last ten years has been looking into this copy paste idea and changing it, that is the approach we require. Ultimately, we need to balance innovation with harm.

**Panellist 4**: We need more technical understanding of the law. This would mean more technical experts and engineers within the CCI. Largely, we need to understand the goals. This would determine what kind of markets are we trying to see, and what are the potential and pitfalls and subsequent enforcement.