

The Science, Indigenous Technology & Advanced Research Accelerator

**To**

**Shri P.K. Mishra**

**Principal Secretary to PM**

**PMO, South Block, New Delhi, 110011** Tuesday, 08 June 2021

**Lack of R&D incentives for Domestic Companies in Telecom PLI**

Dear Sir,

We sincerely hope this finds you well. We wish to draw your kind attention to an Indian Express article (<https://indianexpress.com/article/business/samsung-ericsson-foxconn-arm-9-others-express-initial-interest-in-telecom-pli-scheme-7346997/>) that appeared yesterday, which quotes **DoT officials saying they do not wish to invest in R&D as** **R&D is good only for the long term and investments in R&D will yield results only in the long run**! We are also attachingour earlier request that the **Telecom PLI scheme may focus on incentivising domestic R&D.**

**It may be pointed out that the benefits of the scheme as structured will go to MNCs with only *assembly* operations in India. MNCs have no history of sharing technology, because it is their biggest core advantage. MNCs will be able to repatriate 100% profits from their “investments”, while adding only low value in India (between 5-10%), besides claiming the PLI subsidy (5%) - without transferring any substantial technology. MNCs also have a history of shifting to the most low-cost locations for assembly so it is hoped they stay in India after availing of these sizable benefits.**

**Our fear is that domestic R&D intensive companies, which are generating significantly more than 5-10% value in India, will get little benefit from the scheme, as most benefits will be passed on to the EMS contractors, basically to assemblers. This could place our domestic, R&D intensive companies at a terminal disadvantage vis-a-vis their more powerful, well-connected MNC counterparts, given the history of discrimination they have suffered earlier. This will have extremely deleterious consequences for India for the following reasons:**

1. Possession of own Technology is key to economic power and National Security. Moreover, this century’s transformational technologies (Quantum, IoT/ Industry 4.0, Brain Mapping / Artificial Intelligence/Robots, 3D printing, Nanotechnology, Bio-computing, Genomics, Extended life span) are founded on Information & Communications Technologies, which are expected to add 10s of trillions of dollars of value annually to countries’ GDPs.
2. China has a massive head-start in many of these technologies, so much so that America, where most transformational technologies originated, has started working on a Whole-of-Govt plan to prevent China from catching up. The importance of R&D can also be gauged by the focus in the US-China confrontation - which is Technology. US denial of semiconductors and manufacturing equipment to China has severely affected China’s high-tech sector. The US holds the IP/ design for these products, while manufacturing takes place mostly offshore. Incidentally the Indian Diaspora plays a disproportionately high role in developing these designs.
3. China’s military capabilities are moving from Full Informatisation (digitisation) to “Intelligentisation”, **with lethal consequences for our National Security. We will be unable to resist its rapid damning of river waters in the Himalayas (recent article enclosed) and its territorial advances there if we do not keep abreast of these technologies, which can only be done through indigenous companies. We draw your kind attention to Xi Jinping’s statements that**  “**network security is integrated rather than fragmented” (attached). He also emphasised that China needs to invest in core technologies, which no one, foreigners or the market, will share.**

**CONCLUSION**

**We too must pursue a holistic approach to network security and technology, develop/ procure our own ICT technologies and build an indigenous ecosystem -networks, OS, products, etc. We are very aware and grateful for the positive measures for Atmanirbharta pushed by the PMO in the Telecom sector. But powerful lobbies are still able to bend all schemes their way at the cost of the R&D intensive domestic sector. We therefore appeal to all the right-minded people we know in Government to support India’s remaining domestic R&D intensive companies (our R&D intensity is already among the lowest in the world among major powers) , owning IPR and headquartered in India, develop our own ICT champions and ensure that indigenous R&D is not placed at a disadvantage.**

**RECOMMENDATIONS**

**For this we request the following:**

1. **We are not asking for a withdrawal of the scheme, as some employment benefits are perceived under it, we are only asking for an Addendum which gives strong incentives for domestic companies investing in R&D including manpower accounted as per Indian accounting standard.**
2. **To prevent foreign OEMs from availing of the benefits under R&D for assembly operations and IPR which is not Indian, even if the bulk of their R&D is done in captive R&D centres in India with no spillover into the domestic ecosystem, it must be specified that R&D benefits will go only to companies headquartered in India/ owning IPR registered in India and the worldwide profit made on these IPR must be accrued in India only. As of now R&D is capped to only 15% of the investment. Creating Indian IPR should be mandatory as it will ensure the “Indian-ness” of even MNC companies in addition to their low value-addition activities in India.**
3. **Also, the companies that can avail of the scheme have been limited to 10 for MSME and 10 for domestic and global firms, of which only 3 are reserved for domestic, leading to the danger that a few companies will monopolise the benefits. Hence the addendum must also remove the cap of 10 successful companies in each MSME and non-MSME category respectively from 10 – and extend it *to all eligible candidates*. In addition, to ensure fairness and prevent just one applicant from getting the entire amount, there should be a cap on the maximum subsidy amount given to any single applicant.**

**We have confidence that PMO understands the critical importance of R&D to our country and will take steps accordingly.** DOT may perhaps be given a course on this issue which we will be happy to organise. We are copying to concerned Ministries.

With warm regards and best wishes for your safety,

(Smita Purushottam)

Chairperson SITARA