

The Science, Indigenous Technology & Advanced Research Accelerator

(A not-for-profit Trust dedicated to make India a Science Nation)

**To**

**Shri P.K. Mishra**

**Principal Secretary to PM**

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

**Subject: Proposal to remove PMI Clause in BharatNet PPP proposal**

Dear Sir,

It has come to our notice that the DCC (Digital Communications Commission, formerly the Telecom Commission of the Department of Telecommunications) - has obtained Cabinet approval for a revised implementation strategy for the BharatNet project through a Public Private Partnership (PPP) in 16 states to cover around 3,60,000 villages at a total cost of Rs 29,430 crore. Of this, Rs 19,041 crore will be funded through the Universal Service Obligation Fund (USOF). This is a critical project of national importance as it will not only provide connectivity to rural India but also support and strengthen the domestic telecom industry (both fibre optic cable and equipment). In addition, the project will create employment opportunities at both urban and rural levels.

2. Under Hon’ble Prime Minister’s vision for *Atmanirbhar Bharat,* GoI has announced a slew of policies including the Make in India policy by DPIIT (latest Order dated 16.09.2020 attached) to **promote domestic manufacturing**. Clause 3, 3A and, 3B clearly state that **only domestic products must be procured by the end customer or implementation agency for all Central Government-funded projects if there is sufficient capacity and competition available in India**. DOT, which also has a PMI policy to promote Telecom products in Government procurement has given a list of 36 items for which there is sufficient capacity and competition available in India (attached).

**3. But to our astonishment and disappointment, a proposal for Cabinet approval which removes PMI (Preference for Make in India) from the BharatNet project has been submitted, despite several Orders issued under Prime Minister’s direction mandating the contrary. They are reportedly justifying it on the grounds that it is partially funded by the private sector – although:**

1. **The majority share - INR 19,041 Cr of the Estimated Project Cost of INR 29,432 Cr, or 64% - is to be funded by Government’s Universal Service Obligation Fund (USOF), and**
2. **Clause 4 of the Government’ s own Order appended** as stated above **clearly states that even partially funded projects must have the PMI clause: “It is clarified that this notification shall be applicable to all Central Schemes / Central Sector Schemes for which procurement is made by States and Local Bodies if that project or scheme is fully or partially funded by the Government of India including Universal Service Obligation Fund (USOF) projects.”**

**Hence this is a very weak excuse indeed to bypass Prime Minister’s ambitious Preference for Make in India initiative.**

**4. Possible motivations**: Now that the campaign to remove Chinese products from India's Communications networks has begun, moves are afoot to bring in Foreign Original Equipment Manufacturers (FOEMs) through the backdoor. Our letters to you have highlighted these desperate attempts time and again, on which you have kindly taken action. It takes up a lot of negative energy. It is extremely saddening that the Ministry/Commission in charge of safeguarding India's Critical Information Infrastructure is proposing Viability Gap Funding through the Universal Service Obligation Fund (USOF) ***to promote foreign OEMs***. As in the past, they will in the course of things find ways to disqualify Indian OEMs through foreign specifications/ certifications / many other ways, even though Indian OEMs have proven their abilities in domestic ***and export markets*** time and again.

**5. I gratefully seek your kind permission to point out the contrast between India’s and China's approach to the indigenous telecom industry**. Our forthcoming study prepared with the sponsorship of the Research & Information System has highlighted the following - China's ICT industry today dominates the world because:

1. **Domestic procurement is mandatory: China’s 2002 domestic procurement law (attached) specifically states that domestic procurement by Govt agencies is obligatory. China gave domestic procurement priority (not just preference) even before 2002. Our study indicates corruption in the sector since the 1990s in India. India under the wise guidance of Hon’ble Prime Minister has only recently started making domestic procurement a default template but line Ministries are not implementing it and Prime Minister’s Office is forced to fight a rear-guard action against entrenched vested interests, draining energy for further progress. Only domestic procurement should be permitted which is quite possible given Indian industry’s capabilities.**
2. **Trade Policy:** Secondly China’s Trade Policy was conducive to the development of an indigenous industry while India signed the Information Technology Agreement -1 in 1997 opening the floodgates for FOEMs. China joined the WTO only in 2001 and ITA-1 a few years later to allow its industry to secure 98% of its domestic market by the year 2000, and today it has captured one third of the international market, triggering the US-China Technology War.
3. **FDI policy:** Moreover, China's FDI policy was conditional on various localisation and transfer of technology provisions which led to the development of a robust ancillary sector, unlike ours which has shed all performance obligations for Foreign-Invested companies over the years.
4. **R&D**: **China invested hundreds of billions in R&D for the development of its own ICT industry.** **We are investing hundreds of billions of taxpayers’ dollars for the development of advanced high-tech ecosystems abroad so that a few individuals can benefit while the country remains poor and technologically backward**. **The PLI scheme which also subsidises foreign OEMs at a huge cost is also a poignant indication of the shift in** the **focus of Government from serious nation-building R&D, to promoting low value assembly operations, and with that the dream of Government support to “Innovation Led Design, Design Led Manufacturing” has also perished.**

**6. Since we did the opposite to China in everything the results today are opposite to what China has achieved. We have a massive trade deficit in Electronics cum Telecom despite umpteen number of policies which have not incorporated effective provisions for domestic value addition. Our procurement, R&D, Trade and FDI policies have not been in sync with the development of a high-tech domestic sector. The current note for Cabinet seeks to undo Government’s and Prime Minister directions - that the time has come to focus on self-reliance and security in the telecom sector - by seeking to:**

1. **OVERTURN PRIME MINISTER’S DIRECTIONS ON MAKE IN INDIA/ SEVERAL GOVT ORDERS ON PPP MII**
2. **OPEN THE DOOR TO DIRECT TAXPAYER FUNDING OF FOEMs TO THE TUNE OF RS 19,041 CR WHILE DEPRIVING DOMESTIC COMPANIES OF ANY KIND OF SUPPORT**
3. **UNDERMINE NATIONAL SECURITY**
4. **UNDERMINE JOB PROSPECTS FOR INDIANS**
5. **UNDERMINE HIGH-TECH DOMESTIC COMPANIES.**

**7. We wish to make the following suggestions:**

1. **The removal of the PMI clause must be actively resisted and PMI restored. The PMI Clause is the only thing standing in the way of the complete takeover of our ICT infrastructure by FOEMs. It is dangerous for India to handover this sector to a foreign entity as enormous security issues are bound to arise whenever India takes a stand in the national interest and contrary to foreigners’ interest. We need to be fully self-reliant and genuinely independent and we have the capability. Anything else would undermine faith in Government’s Preference to Make in India program.**
2. **The USOF should be used to promote R&D for 5G/ advanced ICTs for domestic companies. If DoT thinks that Government funding through USOF can be used to promote foreign companies in India which is completely against the national interest at so many levels and the Government’s proclaimed national security and development priorities - then why cannot it be used to upgrade and scale up the capabilities of Indian companies?**

**This is what China did and look where it is now. The United States has had to unleash a Technology War because China has become so powerful in Information and Communication Technologies - 5G, Quantum and Nano technologies, supercomputers, intelligentisation of its weapons, artificial intelligence etc. Also, the USOF has been used in the past to fund foreign companies (NEC from Japan), for example laying the submarine cable to the A&C islands. It must be used to promote Indian companies instead.**

1. **Viability Gap Funding should be used to promote domestic companies, not foreign.**

**8. We request you to please see through the motivations behind the proposal being put up to the Cabinet and restore PMI in it, as it goes against Prime Minister’s own directives and Government’s multiple Orders reversing the damaging practices followed by several departments. Only then can India succeed. The opportunity cost of diverting all procurement abroad, which this Government has courageously taken steps to reverse, has cost India decades in development, technological and economic self-reliance, and National Security. An indigenous ICT sector is the only real guarantee against cyberattacks and cyber ransom by criminals and foreign nations.**

**9. We have faith in you as the custodian of India’s National Interest and National Security. We are hoping that your progressive policies will not be allowed to be subverted by the line ministries and vested interests. We hope the Department of Telecommunications and MEITY under the new leadership of Shri Ashwani Vaishnaw, will courageously and consistently promote the national interest. Even America guided by neoliberal advice destroyed its own Telecom Industry which had a 33% market share globally in the late 1990s and led disruptive technological transformation with the invention of the transistor, the Internet, the GPS, the semiconductor etc. We cannot afford to do this to ourselves. The paradigm for Indian development has to change. We cannot afford to follow the same path that for decades has ruined domestic capability**

With your kind indulgence we are copying this to the new Minister, to whom we wish a hearty innings in the service of the Nation, and to CEO Niti Aayog.

With deep regards,

(Smita Purushottam)

Amb Rtd & Chairperson SITARA