

## The Make in India Dichotomy

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India has witnessed tremendous growth in the telecom sector, predominantly in the mobile telephony segment. India has achieved the second-largest subscriber base in the world after china and is also known for the lowest telecom services. The services sector in general is about 50 percent of GDP, but manufacturing has remained at around 16 percent

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In spite of all these, India being a manufacturing hub in telecom, electronics is a distant dream. Why?

It appears there is a dichotomy with the government and continuous lobby by import-savvy bodies to oppose any steps for Make in India, on the pretext of global economy, cheaper equipment, and so-called lack of technologies and infrastructure.

There is generally a perception as to what is needed for local manufacturing, in the era of globalization. Any initiative for local manufacturing is blasted as protectionism and against the global supply chain. However, it needs to be appreciated that there is no conflict between local manufacturing and globalization. The local manufacturing is the need of the country for its growth, save foreign exchange, national security issues, as also employment. USA has shown the way. The US President has openly come out with a policy of Buy American, Hire American. Let us share some of them.

- Let us face the fact that the services are delivered to customers by operators, who are bombarded with cheap and low-financed equipment by imports, and if one can say always in financial stress. History shows that on several occasions the financial stress has been reason for the government to announce several concessions. Even though it was embodied in the license to promote local manufacturing, there is hardly any action for the same.
- Let us also face the fact that the issue is not the incentives, concessions, or infrastructure. The core issue is access to market, which is denied for several reasons as given below. The proposed Preferential Manufacturing Policy (PMP) is very easily defeated by imposing some unique specifications, country-specific membership of foreign bodies, and of course cheaper or almost dumping prices. On several occasions, even the central government and on most occasions, the state governments do not follow PMP. There is no clarity in definition of criteria to meet PMA guidelines, as a result of which several companies claim to be indigenous manufactures by simply showing local procurement of software.
- Another major factor recently has been the show of money power for publicity and marketing. Recently, a foreign mobile handset manufacturer acquired IPL rights at about 500 percent increase and has provided a budget of more than 2300 crore for publicity, That makes marketing for local manufacturers almost impossible. The manufacturers or the government is yet to find an answer to this issue.
- We have been made to falsely believe that ITA 1 provides duty-free imports of all telecom equipment. Hence till June 30, 2017, the country allowed import of telecom equipment duty-free. That naturally incentivizes imports rather than local.
- The moment government provides some duty protection for local manufacturing, the import-savvy lobbies oppose it tooth and nail ignoring the needs of the country. Take the present case, when the government on June 30 levied 10 percent duty on some telecom equipment and mobile handsets, the operators lobby rose against it.
- Indian telecom operators have been traditionally depending upon Imports, due to purported zero-duty import under ITA 1 along with availability of cheap credit from foreign lines of credits. Before entry of private operators and before advent of mobile telephony, there were several Indian players for landline equipment. The C-DoT ERAX, MARR, switches, FWT, EPBT, optical fiber, OFC, telecom towers, batteries and power supplies, test instruments,

wires and cables, drop wire, etc., were all manufactured within India. During pre-mobile era, when the government PSU was the only operator, procurement of telecom equipment from local manufactured sources was a part of most of the tenders. That necessitated even foreign firms to start manufacturing in India – maybe in SKD level. But mobile from day one is allowed to be imported duty-free; hence mobile equipment manufacturing could not look up. Indian players could not dream of credibility and trust for large orders. Foreign equipment manufacturers have also been bringing newer technology every now and then. As such, Indian manufacturers are left to handle fewer items, such as OFC, batteries, etc., and at lower volumes in comparison with the global giants. Due to the high volume, these global players enjoy benefits of economies of scale.

- In the name of state-of-the-art products and latest technologies, the import of equipment is allowed without any specifications or testing. The importers, who constitute about 87–88 percent of requirements are continuously bombard with low costs and changing technologies, supported by high publicity budgets. As a consequence, a technology which is nonexistent becomes dream of everybody. Take the case of 5G. Nobody is bothered if we really need it but all cry for it. And when there is no technology, no details, how can someone start manufacturing in India?
- The country needs low-power, low-cost equipment suited to rural areas of India, which are quite spread out and scarcely populated with lack of electricity, roads, etc. Yet the operators would always prefer the imported equipment available, which may be of higher power or high cost. The import-savvy lobby is always in the forefront to lobby for a specific or proprietary technology or product for operators. Take the example of 2G in 4G being promoted for uncovered areas in the North-Eastern regions.
- The government decided for mandatory testing long back during 2008, due to security considerations and to promote local manufacturing. It is in denial state by the operators.
- Generally we talk of China as the biggest manufacturer now. Let us appreciate that China started working on its own technology and came up with TDS CDMA as an alternative to 3G and then TDS LTE for 4G. Hence equipment procurement was retained substantially within china. India never thought of working on its own technology. In fact on the contrary, its own technologies like C-DoT, MARR, low-power BTS, etc., did not get the encouragement to scale them up to global level, leave aside within India.
- There are also fundamental technological changes as telecom network is being continuously replaced by IT networks. The nontraditional companies like Facebook, WhatsApp, OTT players, etc., are also entering the telecom networks for voice and data, causing further stress on operators as well as local manufacturing initiatives. Nevertheless, national security concerns always weigh heavy in support of local manufacturing.
- India also loves to copycat the world, and is swayed by importers' lobbies. For example, India is the only country in the world requiring for mobile manufacturing four BIS approvals for fuel cells, batteries, chargers, and mobiles based on testing in India and add to that approvals for local language, panic button, SAR, and environmental clearances. There is need for 28 Indian languages readability and three language inputs. These mean multiple tasks, costs, and delays and becoming unfriendly for manufacturing.
- With the second-largest population of mobiles, India has just one private entity providing IMEI numbers, and this company is also doing lots of private business of consultancy, testing, etc. TRAI had earlier recommended to the government for at least one more government agency for this purpose. No visible action has been taken.
- IPRs have become another big issue. Several court cases are going on. There is need for an agency, department, or company who can tell the domestic manufacturers as to how many IPR patent licenses and royalties are required, and the same should be payable on the relevant component – the chip – rather than on the entire cost of the product.
- Some out-of-way thinking is needed for protection of Indian manufacturing companies from legal onslaught of IPR cases from the world. The Indian manufacturers procure components from across the world and then assemble the product. If there is any IPR violation, then it is with the manufacturers of the components/chips. There is need for an appropriate policy for asking royalty on IPR from the component manufacturers rather than the product assemblers/manufacturers.
- Start-ups and any new domestic manufacturing company will face the issue of initial orders due to lack of experience and past supply track. There is a need to change this policy.
- The wireless and mobile as per allocation of business rules lies with the Department of Telecom (DoT), which is a specialized department for such products. DoT has mandated IMEI, SAR tests, standard operating procedure for verification of fake IMEI numbers on the mobiles. But the Department of Electronics and IT has prescribed BIS testing. There is need that the appropriate department, i.e., DoT should look after all the mobile and wireless-related issues.
- There was a proposal in NTP 2012 to create a Telecom Finance Corporation as a vehicle to mobilize and channelize financing for telecom projects in order to facilitate investment in the telecom sector. This is yet to be set up.

The country has high hopes from our beloved Prime Minister and we all look forward for robust local telecom equipment manufacturing in India.

