



Indian Electrical & Electronics Manufacturer's Association
 501, Kakad Chambers P +91 22 2493 0532
 132, Dr. A. B. Road, Worli, F +91 22 2493 2705
 Mumbai 400 018 E mumbai@ieema.org
 India W www.ieema.org

Director General

SEC/REP/MA/2021/055

2nd March 2021

Dear Shri Alok Kumar ji,

We understand that after 9-month freeze, the Government has decided to clear Chinese foreign direct investment proposals on case by case basis. These FDI approvals are likely to be limited to smaller cases to begin with; larger FDI proposals would be taken up after carefully analysing the situation.

In this context we wish to submit the following:

- 1) Certain sectors such as Power and Telecom are areas of national security. Allowing Chinese FDI in these sectors is fraught with dangerous consequences.
- 2) In the recent past, we have experienced China sponsored cyber attacks in many countries around the world. There have been speculations about possible Chinese hand in the power outages seen in Mumbai and parts of Maharashtra few months ago.
- 3) Allowing Chinese FDI in Power sector will make this sector highly vulnerable. Hence no Chinese FDI may be allowed in the Power sector, be it for electricity generation, transmission or distribution as a licensee, as franchisee or a PPP venture with the state government on the lines of distribution companies in Delhi.
- 4) The domestic electrical manufacturing industry is well equipped to meet more than 95% of the Power Sector equipment requirements for electricity generation, transmission, distribution and supply to the end consumers.
- 5) Barring very few high tech items, almost the entire requirement can be met indigenously. Hence there is no necessity of allowing any Chinese FDI in electrical and allied equipment manufacturing sector.
- 6) Even for those highly specialised items, we have sources available in the friendly nations other than China from where these equipments can be procured. FDI from manufacturers for such items from friendly nations must be encouraged under the upcoming "Manufacturing Hub" scheme of the Ministry of Power.
- 7) For those items where we have sufficient domestic capacity and competition to cater to the 95% of requirements to the power sector, the industry is already grappling with suboptimal capacity utilisation of 60% to 70% maximum during the last few "pre Covid" years (including 2018-19 and 2019-20). Allowing Chinese FDI in the electrical equipment sector will seriously cripple the health of the existing industries, in addition to inviting risks as already mentioned.



Indian Electrical & Electronics Manufacturer's Association
 501, Kakad Chambers P +91 22 2493 0532
 132, Dr. A. B. Road, Worli, F +91 22 2493 2705
 Mumbai 400 018 E mumbai@ieema.org
 India W www.ieema.org

IEEMA has been strongly advocating for minimising our dependency on Chinese equipment since 2013. Consequent to our raising specific issues of threat to our electricity network from China sponsored cyber attacks, a Committee was formed under the CEA, Ministry of Power, Government of India, where IEEMA was a member. Report of this Committee titled "Cyber Security in Power System", copy attached for ready reference, needs revisiting under the given circumstances today. One element emerging from the report is the urgent need for identifying and isolating the equipment of Chinese origin in our electricity network, and examining the need for their replacement.

We have been also opposing the Chinese applications for registration as vendors in terms of Department of Expenditure, Ministry of Finance Order (Public Procurement No. 1) dated 23rd July, 2020 issued vide No. F.No.6/18/2019-PPD under Rule 144 (xi) GFR, 2017 for all such equipment and services where sufficient domestic capacity and competition is available. Even as suppliers with no local manufacturing, Chinese vendors have been destroying the Indian market in recent past by their predatory pricing practices.

Allowing Chinese FDI in this critical segment of electrical equipment manufacturing will lead to closing down of the home grown industry in the long run, which will not be possible to revive if required under any unforeseen emergency situation that may occur in the event of Chinese principals playing truant. Instances have now started surfacing that Chinese companies are manipulating their customers by not supplying the required Spares for equipment supplied in the past. Utilities, both at states and central PSUs, have reported that their efforts to reach out to the Chinese OEMs, either directly or through the concerned local EPC players, are not yielding any result as the Chinese OEMs are not responding to their calls for spares.

In view of the above, we earnestly request the Government of India not to open Chinese FDI in the power and electrical equipment manufacturing sectors. Government may further relook at the installed base of equipment of Chinese origin in our power (generation, transmission and distribution) network, with a view of their replacement with products manufactured indigenously or by manufacturers from friendly countries.

With Best Regards

Yours sincerely

Sunil Misra

Shri Alok Kumar
Secretary
Ministry of Power
Government of India
New Delhi

Copy to: Shri S. Gopalakrishnan, Additional Secretary, PMO

