

AGENDA: Invest in Innovation – Europe Session

Monday, April 19th, 2021

4:00 – 5:30 PM IST | 12:30 – 2:00 PM CET

TIME (IST)	TIME (CET)	
Session on R&D Investment Opportunities in India		
4:00 – 4:05	12:30 – 12:35	Opening Remarks by Dr. Arabinda Mitra , Scientific Secretary, Office of the PSA, and Dr. B. N. Satpathy , Senior Consultant, Office of the PSA
4:05 – 4:10	12:35 – 12:40	“FDI Policy Support for R&D” – Dr. Guruprasad Mohapatra , Secretary, Department for Promotion of Industry, and Internal Trade (DPIIT)
4:10 – 4:15	12:40 – 12:45	Address on EU-India Cooperation (India perspective) in R&D Sector by H.E. Santosh Jha , Ambassador of India to the European Union*
4:15 – 4:20	12:45 – 12:50	Address on EU-India Cooperation (EU perspective) in R&D Sector by H.E. Ugo Astuto , Ambassador, Delegation of the European Union to India*
4:20 – 4:25	12:50 – 12:55	Remarks on the Role of Investment Promotion Agencies in enabling FDI in the R&D Sector by Mr. Deepak Bagla , CEO & MD, Invest India
4:25 – 4:30	12:55 – 13:00	‘Research-Business-Nexus’ by European Business and Technology Centre (EBTC)
4:30 – 5:00	13:00 – 13:30	Remarks by Industry: ‘Opportunities and enablers for enhancing European investments in the Indian R&D sector’ <i>Representatives of European industry</i>
5:00 – 5:20	13:30 – 13:50	Comments from respective Central Ministries <i>Senior Representatives from Indian ministries</i>
5:20 – 5:30	13:50 – 14:00	Summary of Discussion and Next Steps - Prof. K. VijayRaghavan , Principal Scientific Adviser, Gol

*To be confirmed

SESSION BACKGROUND

Across the world, internationalization of Research & Development (R&D) is now taking place at a much faster pace. It is spreading more widely, including to developing countries, and involves more than adapting technology to local conditions. It is linked to changing motivations for outward investment in R&D. Until recently, the technological capabilities of firms were far less globalized than activities such as marketing and production, but firms now increasingly offshore R&D activities to other countries. Large multinational enterprises (MNEs) are the main drivers in this process.

The R&D potential in India along with the economic incentives presents huge opportunities for European companies to invest in R&D in India.

OBJECTIVE

The virtual session will shed light on different kinds of models that European companies and research institutes have already deployed to leverage India as a strategic innovation market and R&D hub. Moreover, it will highlight select 'success stories' and also point towards the future scope and opportunities that can be explored further. In this regard, this initiative strives to gather relevant insights that help shape and co-create a long-term support mechanism for fostering R&D-related investments from Europe to India at different kinds of levels. Consequently, the objective is to interactively determine key aspects that help effectively harness the innovation potential in India in cooperation with Europe through joint initiatives.

Objectives at a glance:

- Explore the potential areas of collaboration between India & EU in the R&D space.
- Highlight the advantages available for European companies to invest in R&D in India.
- Promote India as the destination for R & D investments in identified focus sectors.

CONTEXT: WHY INDIA-EUROPE COLLABORATION FOR FDI IN R&D

India and the European Union have wide areas for potential collaboration in the space of Research and Development (R&D).

India and EU have significant R&D collaborations in a number of sectors. These sectors include: Oil & Gas, Renewable Energy, Retail, Shipping, IT Services, Telecom, Manufacturing, Automobile. In addition to potential expansion of cooperation in the aforementioned sectors, the following sectors present promising opportunities for collaborations in R&D: Shipbuilding, Green Transport, Biotechnology, Health Devices, Circular Economy, Pharmaceuticals.

At the 15th India-EU virtual summit, both countries also highlighted a roadmap to 2025. The key points relating to R&D related to:

- Co-investment in research and innovation programmes like 'Horizon Europe' (2021-2027).
- Strengthen the partnership in the areas of health and bioeconomy.
- Develop sustainable initiatives to harness the innovation potential in India and the EU through joint initiatives, such as an India-EU Innovation Platform.

India is emerging as the most favoured destination for foreign investments. Owing to ease in FDI norms across sectors, the FDI inflow in India has increased steadily and grew by 13% in FY 19-20. The FDI policy permits 100% FDI in various sectors, including R&D intensive sectors.

With a quantum leap in GII 2020 rankings, India stands as the 48th most innovative nation in the world. With an aim to attract investors from EU and other countries, the Science, Technology and Innovation Policy, 2020 (in final stages of implementation) recommends reduction in corporate tax rates for Foreign MNCs, fast track clearances and easing land acquisition.

ANNEXURE

THEMES

- **FDI in R&D in India** - Though the FDI inflows in India have been on a rise, the share of investment on R&D has been continually declining and stood at 0.1% (of the total

FDI) in 2019-20. Considering India's value proposition in R&D, increased investment in R&D would be advantageous to the companies investing in India.

- **India and EU – Economic & Scientific Relationship** - Relations of India and European Union (EU) go back to the 1960s. EU foreign direct investment stocks in India amounted to €68 billion in 2018. While Indian companies have invested over €50 billion in Europe since 2000, almost six thousand European companies are present in India, providing directly 1.7 million jobs and indirectly 5 million jobs in a broad range of sectors. Apart from sharing a thriving economic relationship, both India and EU enjoy a robust science and technology partnership. At the recently concluded 15th

India-EU Summit, India & the European Union decided to renew the Agreement on Scientific cooperation for the period of year 2020-2025. Additionally, both India and EU have important ongoing S&T projects in various fields.

- **India's Value Proposition** - India is catching up with the most advanced economies of the world in terms of R&D. India has positioned itself as the centre of global R&D activities. With its 6682 R&D institutions, 6000 STEM PhDs & 200,000 engineers per year, India doubled the number of patents filed from 2008 to 2017 and attracted 30% of global R&D in 2018. Moreover, India improved its ranking in the Global Innovation Index by five places to 52nd in 2019. India is likely to get into the list of the top 25 nations by 2027.
- **India's FDI Policy** - India is emerging as the most favoured destination for foreign investments. Owing to ease in FDI norms across sectors, the FDI inflow in India has increased steadily and grew by 13% in FY 19-20. The FDI policy permits 100% FDI in various sectors, including R&D intensive sectors. These sectors include: Mining & Exploration of Metal & Non-Metal Ores, Exploration of Oil & Natural Gas, Pharmaceuticals, Railway Infrastructure, Satellites Establishment & Operations. There are enabling provisions relating to R&D in the FDI policy. They relate to the policy on Industrial Parks, Brown Field Pharmaceuticals, Telecom Services and Make in India Scheme.
- **STI Policy** – With an aim to attract investors from EU and other countries, the Science, Technology and Innovation Policy, 2020 (in final stages of implementation) recommends: Reduction in Corporate Tax Rates for Foreign MNCs; Fast Track Clearances; Easing Land Acquisitions.

- **MNCs and localisation of R&D** – In order to cater to the requirements of the local market, localised R&D is critical. Traditional cross-border R&D largely involved adapting products and services to the needs of host countries and to local conditions close to “lead users”. R&D activities were also undertaken abroad in order to support MNEs’ local manufacturing operations. Today, MNEs seek not only to exploit knowledge generated at home in other countries, but also to source technology internationally and tap into worldwide centers of knowledge. Innovation strategies therefore increasingly depend on global sourcing to sense new market and technology trends worldwide. This has become a major reason for locating R&D outside the home country. MNEs’ geographic dispersion is also increasingly viewed as a basis of knowledge creation.
- **Government Support to Industry** – The government seeks to introduce enabling policies and incentives for greater inclusivity of MNCs to enable them to engage in entire R&D value chain. The specific areas of focus include - ease of establishing R&D operations, address land and infrastructure and IPR issues. The government has also introduced a number of policies to promote start-ups and reduce the compliance burden.
- **Role of Investment Promotion Agency** - Role of investment promotion is to improve the image of the country as an R&D location and to provide targeted services to both potential and existing foreign investors in R&D.
- **Ease of Doing R&D Business** - The Ease of Doing R&D Business for a foreign investor continues to be an issue notwithstanding India’s progress in Ease of Doing Business. This is particularly so with respect to Trading Across Borders and Taxation Issues.
- **IPR Regime** – Improvement in the IPR Regime is needed to ensure a conducive environment for innovation in India. Studies indicate that R&D firms operating in India are intensively generating R&D output, however most of it is being patented abroad by their parent firms/affiliate firms. There is a need to understand and address the issues faced by companies in India in relation to the IPR regime.
- **Linkage between MNC Industry and Academia/National Research Facilities** – To improve the overall R&D situation in India, the academia-industry linkages need to be augmented. Robust communication channels to garner Industry support must be established. Sectoral network of R&D institutions could be instituted for like-minded

players to use facilities such as infrastructure, manpower available in clusters. Industry partners could be encouraged to set up research centres in academic institutions.

- **Branding of India as a R&D Destination** – International roadshows can prove to be an effective way of promoting India as a global R&D hub. Moreover, targeted actions to bolster R&D in India could be undertaken such as CII's ADMIRE program.
- **Global Best Practices** – The replication of global best practices across the world could improve the FDI relations between India and EU in terms of R&D. RISE (Sweden), Catapult (UK) and Fraunhofer (Germany)- allow mitigation of industry risks with deep partnerships from Government for the interest of society. Industry should also explore the avenues for collaboration with professors for an effective curriculum in the universities.