

India needs a Sovereign AI Revolution

SEPTEMBER 2026





Context

01.

The US Government issued an export control directive to suspend all access to Anthropic Fable 5 and Mythos 5 by any foreign national, irrespective of whether they are inside or outside the US on June 12, 2026

02.

This included non-American Anthropic employees. Many of these employees have worked on creating Fable 5 and Mythos 5.

03.

Subsequently, on June 26, 2026, the US Government reversed the blanket ban for select organizations. This means, **there is a discretion in access to advanced AI now.**

Impact

Immediate and Visible Impact

Since Anthropic disabled Fable 5 and Mythos 5 for its customers, abruptly and suddenly, thereby, impacting every product and workflow built on top of these models overnight.

Starting from enterprises that had embedded them into customer support, document processing and internal tools were left scrambling, with no transition window to migrate.



The Lesson Is Blunt

A tool you may depend on but do not control may be taken away at any time and can create immediate disruption



Long-Term Impact

1



Impact on Globalization

For decades it was assumed that the technology would flow freely across borders and any capability developed around the globe could simply be bought. But the export controls on frontier AI technology break that. Now **the most advanced tools are gated by geopolitics, not price, and access can be revoked on national-interest grounds.**

2



Technology can be weaponised

A nation's sovereignty and security now rests on technology it may not own, as the recent case of leading technology firms cutting access for the Indian energy sector showed. When the core enterprise software, cloud or AI sits with a foreign vendor, that enterprise or the country where the vendor belongs to, holds the lever which can be pulled at any moment. **What in normal scenarios looks like a commercial service, in a crisis, an instrument of statecraft, and frontier AI can raise stakes; from defence to finance to public services.**

3



Build a two-tiered world of Technology Haves and Have-Nots

The country that builds the capability decides who sits in which tier and the decisions can shift with diplomacy or sanctions. Nations in the lower tier inherit a permanent lag in access to frontier technology increasing the gap further with possible compounding year after year. **This is not a one-time setback, rather, a structural disadvantage that may widen over time.**

4



Restriction of access and/ or model at any time

While the US and some developed nations keep access to the latest models and chips, India and the Global South may be left a generation behind. The chokepoint lies in very few hands, a handful of firms dominating the high-end chips, Anthropic and OpenAI when it comes to the frontier models. Both of which can be gated at a moment's notice. **Without a secured and owned model, countries may be greatly exposed to this threat throughout.**

5



Creating Tech Sovereignty

Each country will turn towards tech sovereignty, as the case of China shows. Faced with the chip and software restrictions, China poured in capital into developing domestic alternatives, **starting from building their own chip lines to cloud stack and home-grown models and is now steadily reducing its reliance on Western technology.**

The direction of travel is crystal clear, in a world where access is a lever, every serious nation will choose to build rather than depend. India will have to make the same choice and the sooner it commits; the lesser will be the gap to catchup.

What India Must Guard Against

1

The assumption that frontier capability can simply be rented. It can be; until it cannot, and the terms are set by someone else.



Being an ally or strategic partner may not help in this competitive world and countries may switch off tech whenever they want.

2

3

Frontier tech today is as much of a choke point as the Strait of Hormuz. India needs to create alternatives to the choke points to survive and thrive.



In 2025, a major Indian energy firm operating an oil refinery critical to national energy security had its core ERP system suspended by a German provider's Indian subsidiary and separately had its hosted cloud data cut off by a US provider both citing EU sanctions. This exposes how critical infrastructure of a country can be threatened at someone else's terms if not self-reliant.

What Should India Be Doing?

This could be a blessing in disguise for India and push us towards sovereign AI.

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Building sovereign AI is not just a technological need but a crucial pillar of augmenting national economic resilience. In the case of India, developing indigenous models to create a digital destiny, that population-scale data fuels domestic innovation rather than foreign infrastructure. Contextualising in local languages and bringing in strong data sovereignty into the AI architecture, will help achieve a globally competitive, responsible and secure digital resilience.



Devroop Dhar | Co-Founder and Managing Director, Primus Partners

Key Recommendations:

1. Need for greater R&D spend:

India's gross expenditure on R&D as a percentage of GDP stands at around 0.84% (FY 24) which is substantially below the global average of 1.92% and OECD average of roughly 2.7%. One of the main reason for this low expenditure in R&D is due to low investment from the private sector, which accounts for only about 50% of the total expenditure, compared with China (77%), the US (75%) and South Korea (79%).

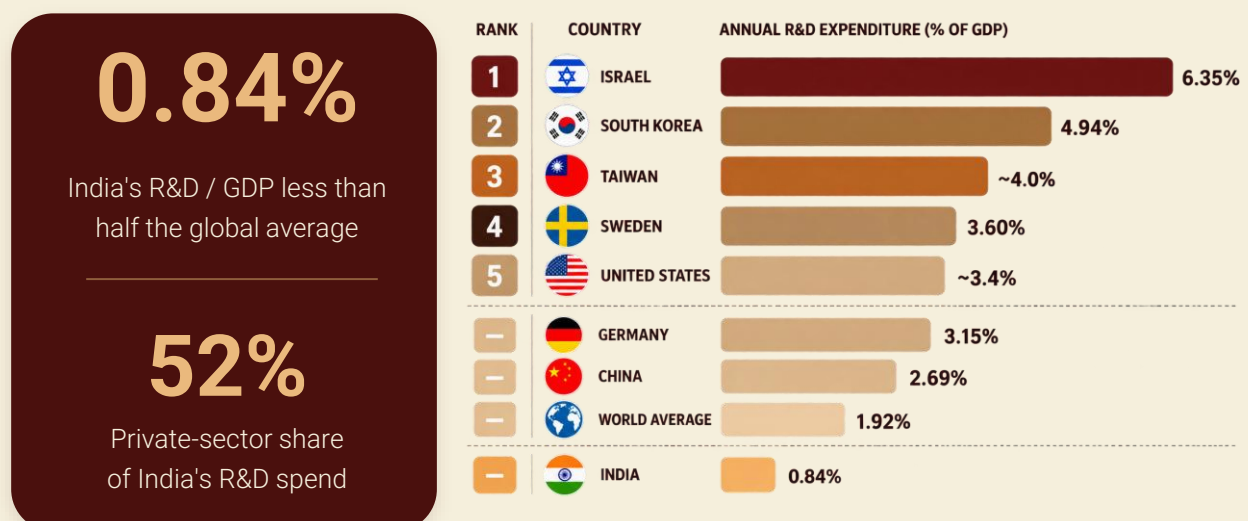


Figure 1: Annual R&D Expenditure (as a % of GDP) for Global Economies

There can be efforts towards considering R&D spend as part of CSR mandate including providing tax benefit on R&D. India can consider incentivising private R&D spend by drawing on inspirations from global examples



China 200% super-deduction

China's permanent 200% tax super-deduction on R&D expenditure that is in place since 2023 has made it one of the most aggressive regimes globally which is far ahead of India's current 100% deduction.



South Korea Sector-neutral credits

South Korea takes a sector-neutral approach that allows any firm to claim R&D tax credits under a "negative list" model unlike India's restricted, sector-specific eligibility criteria.



Israel Conditional grants

Israel uses conditional matching grants through its Innovation Authority covering up to 50% of approved R&D costs which is repayable as royalties once the technology succeeds commercially, a risk-sharing model India has no real equivalent.

India has one lever, which the peers don't: mandatory CSR spend (2% of net profit). The Schedule VII of the Companies Act enables CSR funds toward R&D, but only via public institutions (CSIR, DST, IITs), and this spend gets no tax deduction under Section 35. Widening this to cover in-house R&D in priority areas (Quantum, AI, semiconductors) would unlock a private pool for R&D.

Where CSR money actually goes

Development Sector	Share of CSR spend
Education	34%
Healthcare	21%
Environmental sustainability	8%
Education + Healthcare combined	55%
Technology incubators (Schedule VII(ix))	0.003%

Redirecting even 10% of India's annual CSR pool (~4000cr) into in-house R&D in quantum, AI and semiconductors would create a private research pool twice the size of the IndiaAI Mission's average annual outlay. Over five years that is ₹20,000 crore which is 2x the entire IndiaAI Mission corpus, without a rupee of additional government spending. It requires one amendment to Schedule VII and one to Section 35.

2. Dedicated focus on Deep Tech and Upgrade the India AI Mission



Onboarding a technocrat for this Critical Mission

There has been a great start with the IndiaAI Mission.

In the case of Aadhaar, a technocrat such as Nandan Nilekani was brought in to lead, the AI Mission can look at adopting a similar approach for greater autonomy, speed in decision making and deeper technical focus. It may also be considered to have a direct reporting to PMO in the initial days to drive this critical mission forward as well.



Adequate Budgetary allocation

The current IndiaAI Mission outlay is ~1.25 billion USD over 5 years, whereas a single frontier training run abroad can cost hundreds of millions on the compute part alone. With the aim to take this programme forward, a budgetary allocation of at least 3-4 billion USD pool can be set aside specifically for capacity, creating a model and associated applications and also bringing in the right talent.

INDIA AI MISSION — TODAY vs. WHAT'S NEEDED

Current outlay **\$1.25 bn**

Suggested Pool **\$3–4 bn**

3. Creating a Dedicated Model

There needs to be a greater support for Indian models. India has already some created sovereign models



Sarvam



BharatGen Param2



Gnani.AI



Shodh AI



Krutrim



Invest in building/ adopting a different architecture and not the traditional Transformer architecture: India can focus on backing emerging technology architecture alternatives, including but not limited to: state-space models, Liquid networks or other post-Transformer approaches. This will enable India to build IP from the ground up, rather than just licensing the core. **A new architecture means new IP and new IP is a leverage we can actually defend.**



Not to put any critical application on top of a tool or model which we do not control: This is another area which any country needs to be cognizant of, that anything tied to national security, public services or core infrastructure should not sit on foreign-owned models. The Anthropic's Mythos 5 episode is the lesson: access can be cut/ limited by a directive, with no say of ours. If the model underneath belongs to another country, so does the off-switch.



Creating model agnostic products and solutions: Indian products and solutions should not be hard-wired to one single model. They should be **built to be model-agnostic**, so that any model be swapped in or out without re-engineering the product. In this way, a single vendor cutting access would not break the application and the default could be shifted to Indian models as they mature. **Agility here is not a nice-to-have but is the hedge against being held hostage by one provider or country.**



Bring talent home from the West: A large share of the researchers who are building frontier AI in US labs hail from India, and this episode shows how exposed even they are. The Government can look at **providing concrete benefits which will motivate them to come back; a focused package:** a returning-scientist fellowship with globally competitive pay, relocation and lab-setup grants, fast-track senior roles in the IndiaAI Mission, tax relief on foreign income for the first few years (*on the lines of China's Thousand Talents model*).

Talent is one layer money alone cannot buy quickly, so this is where the biggest early bets should sit.

Build AI sovereignty: This can be done across the following 6 layers:

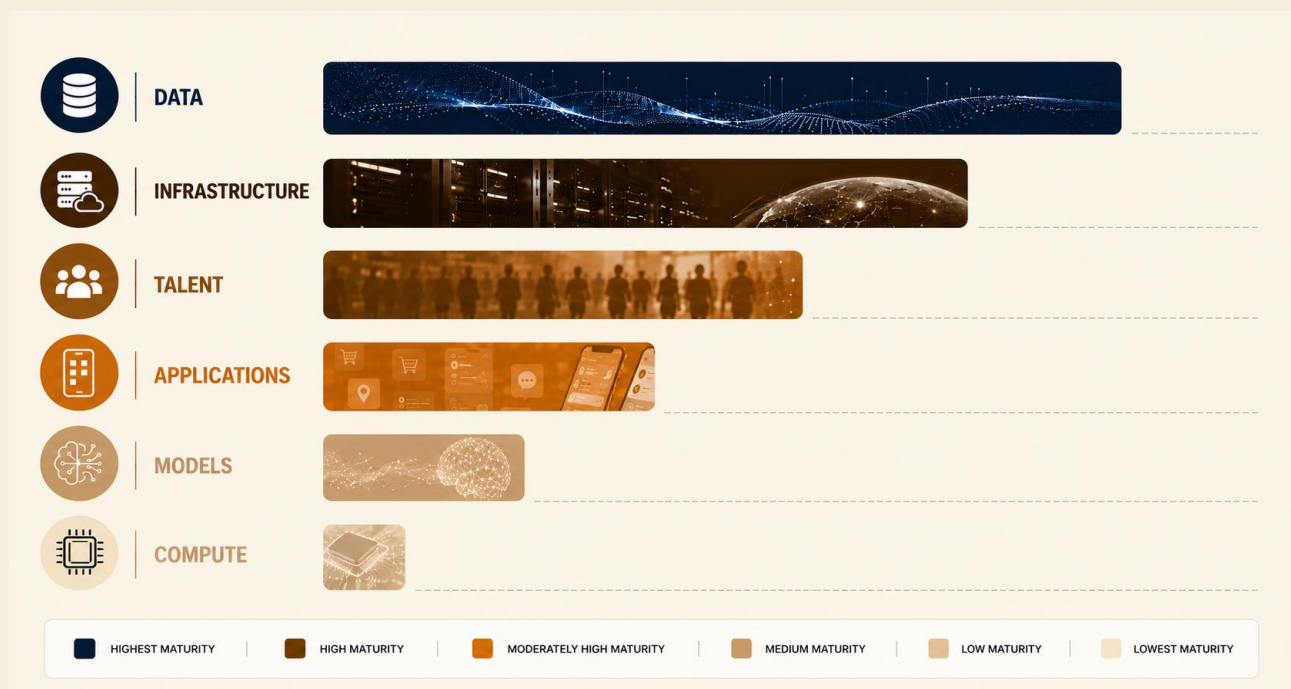


Figure 2: Current Status of building Sovereign AI Model for India



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We need to have more countries and companies owning their own destinies. And in the post-AI world, that means being able to use and improve AI systems within their own perimeters — what one may call Sovereign AI. From our vantage point, it is super clear that India will build, leverage, and create massive business value and societal impact with sovereign AI.

Pratyush Kumar | Co-Founder, Sarvam AI

**Source: Post from X dated June 13, 2026*



India has faced a similar challenge in a different sector before and emerged triumphant



A sanction meant to slow India down ended up in creating in-house capability - and the result was cheaper, sovereign and globally competitive services.



Cryogenic engine



Mangalyaan



Chandrayaan



NavIC

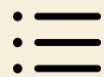
This is not the first time that India is doing this. When access is denied, India builds. Space is the clearest example. After the 1974 and 1998 nuclear tests, the US and its allies put ISRO under sanctions and blocked the transfer of cryogenic engine technology that India needed for its launch vehicles.

The same denial-then-build story runs through Chandrayaan, Mangalyaan which reached Mars on a first attempt at a fraction of global costs and a navigation constellation, NavIC, that we own end to end.



References

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List of Acronyms

S. No.	Acronym	Details
01	AI	Artificial Intelligence
02	CSR	Corporate Social Responsibility
03	CSIR	Council of Scientific and Industrial Research
04	DST	Department of Science and Technology
05	GDP	Gross Domestic Product
06	ERP	Enterprise Resource Planning
07	IP	Intellectual Property
08	ISRO	Indian Space Research Organization
09	PMO	Prime Minister's Office
10	R&D	Research and Development

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