

Making India an IT Hardware Powerhouse

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Making India an IT Hardware Powerhouse: Strategies and Progress

Introduction

India heavily relies on importing IT hardware such as laptops and PCs. To reduce this dependency and promote local manufacturing, the government is implementing strategies like:

- **Linking import permissions** to increased domestic manufacturing capacity.
- Introducing a **credit system for imports**, applicable once critical production levels are achieved.

Strategic Policy Measures

1. Import Restrictions Tied to Domestic Manufacturing

- The government plans to replicate the successful model from the tyre sector, where:
 - **2020 tyre import restrictions** attracted investments of over ₹1,100 crore from global companies like Bridgestone, Michelin, and Goodyear.
- Similar conditions are proposed for **laptops and PCs**, where easing import rules will depend on commitments to manufacture locally.

2. Credit System for Imports

- A new **credit system for IT hardware imports** is being considered.
- The system will align imports with domestic production milestones, with detailed policies expected as local manufacturing expands.

WTO Commitments and Global Trade Concerns

1. WTO Constraints

- India's membership in the **WTO's Information Technology Agreement (1997)** binds it to **zero-duty commitments** on IT products, preventing higher import tariffs.

2. Global Pressure

- **China dominates the global IT hardware market**, holding:

- **81% share** of global PCs and laptops.
- **Exports worth \$163 billion** in 2022.
- Major global companies like **Apple, Dell, and HP** rely on Chinese manufacturing and have raised concerns about India's import policies.
- Nations such as **Japan and China** have formally opposed India's **laptop import licensing measures**.

3. India's Security Goals

- India clarifies that its policies are aimed at **achieving self-reliance** and **strengthening national security**, not creating unnecessary trade barriers.

India's Import Dependency

- In FY24, India imported **electronic components worth \$34.4 billion**, making it the **fifth-largest import category**.
- Over **50% of these imports** came from:
 - **China**: \$12 billion.
 - **Hong Kong**: \$6 billion.
- Over the past five years, imports from **China and Hong Kong** have significantly exceeded those from South Korea, Japan, Taiwan, and ASEAN nations combined.

Domestic Production Challenges

1. Slow Progress in IT Hardware Manufacturing

- Despite efforts like the **2023 Production Linked Incentive (PLI) scheme**, India's domestic production of laptops and tablets remains limited.
- **27 companies**, including Dell, HP, Lenovo, and Foxconn, have been approved under **PLI 2.0** but are still in early production stages.

2. Extended Import Authorizations

- To **avoid shortages and price increases**, import restrictions under the **Import Management System (IMS)** have been extended until **December 31, 2025**.

Way Forward

To reduce import dependency and achieve self-reliance, the government has outlined a **multi-faceted strategy**:

1. Strengthening Local Manufacturing

- Speeding up **PLI incentives**.
- Tying **import permissions** to domestic production growth.

2. Diversifying Trade

- Seeking **alternative supply chains** to reduce dependency on China and Hong Kong.

3. Encouraging Investments

- Developing an **investment-friendly ecosystem** for domestic and global manufacturers.

4. Balancing Global Commitments and Domestic Needs

- Aligning policies with **WTO commitments** while protecting India's strategic interests.

This plan aims to transform India into a **leading hub for IT hardware manufacturing**, ensuring **economic growth and national security**.



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