Symposium on the 20th Anniversary of the Information Technology Agreement

The Experience of Developing Countries

INDIA

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WTO, Geneva

A Presentation by
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Key Objectives of ITA

A. Expanding world trade in information technology products

B. Raising the standards of living and expanding the production of and trade in goods

C. Encouraging continued technological development of the information technology industry on a world-wide basis
# Impact of ITA

<table>
<thead>
<tr>
<th>Most verticals of Electronics dominated by few companies</th>
<th>Few large companies dominating the world market, resulting in</th>
<th>Commoditization of Electronics across the globe</th>
<th>Technical Standards: Technical Barriers to Trade (TBT) Measures</th>
<th>Strategic / Security Concerns</th>
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<tbody>
<tr>
<td>• Huge barrier for a new entrant in manufacturing space or innovation</td>
<td>• Intellectual Property costs for several products far exceed their Bill of Material (BOM) cost due to closely held technology</td>
<td>• Local choices / preferences not being serviced</td>
<td>• TBT is the most significant standards / regulation faced by the IT sector</td>
<td>• Deployment of high tech equipment / components a major strategic issue</td>
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<tr>
<td>• Reduction in level of competition</td>
<td>• Controlling prices, Driving standards and their enforcement</td>
<td>• Frugal innovation compromised</td>
<td>• Over the years the TBT measures of WTO members have been increasing thereby annulling the impact of ITA tariff reductions</td>
<td>• Addressing security concerns is an issue</td>
</tr>
<tr>
<td></td>
<td>• High prices impacting proliferation, leading to digital divide</td>
<td>• Scant regard to diversity of world</td>
<td></td>
<td></td>
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<td></td>
<td>• Preventing large scale participation in innovation processes</td>
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Indian Electronics Demand and Trade Imbalance (2016)

- Erosion of domestic electronics manufacturing has lead to trade imbalance

**Import of electronics**
- Making it the 3rd largest item in India’s import basket

**Export of electronics**
- USD 43 Billion

**Domestic electronics production**
- Value addition is low
- USD 6 Billion
Demand of Electronics projected to grow to

USD 200 Billion
By 2020

USD 400 Billion
By 2023

Telecom Equipment Import: Between 2014 to 2016, India has moved up from 10th position to 7th position in the world market

While India has continued to give market access, electronics manufacturing in India suffered due to zero duty imports
Expansion of ITA

- Covers non IT goods such as Consumer Electronics and Medical Electronics

- Besides India, major countries which have not participated in expansion of ITA include Russia, Vietnam and Indonesia

Number of participants in ITA: 82
Number of participants in the expansion of Agreement: 50+
Need based duty exemptions being provided

For promotion of manufacturing, India has provided exemption from Basic Customs Duty (BCD) on import of capital goods/ inputs even for non-ITA goods

EXAMPLES

- Specified Capital Goods for manufacture of Electronic Components and Goods
- LCD/ LED / OLED Panels for manufacture of Televisions
- Specified inputs for manufacture of non-ITA components
- Specified inputs for manufacture of LCD/ LED Panels
- Specified inputs for manufacture of Set Top Boxes
POLICY INITIATIVES AND FLAGSHIP PROGRAMMES
Make in India Initiative

Pillars of a new resurgent India

- New Processes: Ease of Doing Business
- New Sectors: Major FDI reforms and inflows
- New Approach: Make in India, Digital India, Smart Cities, Skill India, JAM trinity
- New Infrastructure: Key Infrastructure and Urbanization
- New Innovation and R&D: India - Design & Innovation, Start Up India, Intellectual Property Rights
- New Mindset: From red tape to red carpet
Digital India

A flagship programme of the Government of India with a vision to transform India into a digitally empowered society

- Broadband Highways
- Public Internet Access Programme
- Information for everyone
- Early Harvest Programmes
- Universal Access to Phones

- IT for Jobs
- Skill Development
- eKranti
  Electronic Delivery of Services
- E-Governance
  Reforming Government through Technology
- Electronic Manufacturing
  Target NET ZERO Import
**NATIONAL MANUFACTURING POLICY**

25% Contribution to GDP by 2022

**NATIONAL POLICY ON ELECTRONICS 2012**

**Infrastructure**
- Special Incentive Package
- Electronics Manufacturing Clusters (EMC)
- Semiconductor FABs

**Market**
- Measures for demand generation
- Standards
- Rationalization of Tariff Structure
- Export Promotion

**Innovation**
- Electronics Development Fund (EDF)
- Centres of Excellence
- Incubators
- Indian Conditional Access System (iCAS)

**Human Resources**
- Skill development
- PhD Scheme
- Electronics & ICT Academies
- Sector Skill Councils
Progress of Digital India

India became the second largest market of smartphones in the world

- **Smartphone Users**: 220 Million
- **Mobile Phone Users**: 1.08 Billion
- **Internet Users**: 500 Million

Comparative data:
- **May 2014**
  - Smartphone Users: 400 Million
  - Mobile Phone Users: 900 Million
  - Internet Users: 240 Million
- **June 2017**
  - Smartphone Users: 220 Million
  - Mobile Phone Users: 1.08 Billion
  - Internet Users: 500 Million
### Progress of Digital India

**3rd largest Start-up Ecosystem**

- IT/Technology Start-ups dominating the scene
- Nearly 4000 new start-ups coming every year

<table>
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<tr>
<th>Year</th>
<th>No. of Deals</th>
<th>Amount Invested</th>
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<tbody>
<tr>
<td>2016 (upto September)</td>
<td>1080</td>
<td>3.7 Billion USD</td>
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<tr>
<td>2015</td>
<td>1005</td>
<td>9 Billion USD</td>
</tr>
<tr>
<td>2014</td>
<td>300</td>
<td>5 Billion USD</td>
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</table>
Progress of Digital India

Growth in Mobile Phone Manufacturing

75 new mobile handsets / sub-assembly manufacturing units started in the last 30 months

Mobile Handset Production (Nos.)
- 2014: 60 Million
- 2015: 110 Million
- 2016: 175 Million

Mobile Handset Production (Value Terms)
- 2014: 3 Billion USD
- 2015: 8.4 Billion USD
- 2016: 14 Billion USD

75 new mobile handsets / sub-assembly manufacturing units started in the last 30 months.
Progress of Digital India

Growth in Electronics Manufacturing

**LCD / LED TVs**
- 2014: 8.2 Million Units
- 2015: 12 Million Units
- 2016: 15 Million Units

**LED Products**
- 2014: 33 Million USD
- 2015: 785 Million USD
- 2016: 1.1 Billion USD
Progress of Digital India

Investment Proposals in Electronics

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<th>Upto April 2014</th>
<th>Upto May 2017</th>
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<tr>
<td>No. of Proposals</td>
<td>30</td>
<td>233</td>
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<th>Upto April 2014</th>
<th>Upto May 2017</th>
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<td>Proposed Investment</td>
<td>USD 1.7 Billion</td>
<td>USD 22 Billion</td>
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Other Flagship Programmes

**National Solar Mission**
- Target: Setting up solar capacity of 100 GW by 2021-22
- 34 Solar Parks of capacity 20 GW in 21 States have been sanctioned

**LED Programme**
- GOI has fine tuned the process, brought down the costs of manufacturing and sold ~ 230 million LED bulbs
- Private sector sold ~ 330 million LED bulbs
- Total ~ 560 million incandescent bulbs replaced in the last 2 years

**Digital Addressable System (DAS)**
- Switchover of analogue Cable TV networks to DAS done in four phases
- W.e.f. April 1, 2017, only digital encrypted signals can be carried by cable operators on their cable networks throughout the country
Conclusions

- Impact of ITA on India:
  - Erosion of domestic electronics manufacturing has lead to trade imbalance
  - High value added manufacturing (components, raw materials, parts and even electronic sub-assemblies) requiring high investment suffered the most
  - Substantial dependence on imports, which is growing at a fast pace
  - Exports from India face huge Non Tariff Barriers

- Need based duty exemptions are being provided to promote electronics manufacturing

- Growth in electronics manufacturing witnessed over the last few years has been due to policy thrust of the Government
THANK YOU