



## SMART PHONES EXPORTS FROM INDIA - GS III MAINS

**Q.** Examine the issues faced by the smart phone manufacturers in India and bring out the strategies needed to make India - a smart phone hub in the world. (15 marks, 250 words)

**News:** *Who is winning the smartphone exports race - Vietnam or India: Data*

### What's in the news?

- In recent times, India has laid much emphasis on smartphone exports. In November 2022, Prime Minister Narendra Modi lauded phone exports as they crossed the \$5 billion mark.

### Key takeaways:

- At the 2023 India Mobile Congress, Mr. Modi said “soon the whole world will be using made-in-India phones”.
- The government credited the Production Linked Incentive scheme for major smartphone companies shifting their suppliers to India.
- These were in line with the ambitious target set in the National Policy on Electronics 2019, that India will be exporting 600 million mobile phones worth \$110 billion by 2025.

### Meagre Exports:

- With barely a year left for this goal, India’s smartphone exports are hovering below \$10 billion a year, just a fraction of the target. While India continues to manufacture a significant number of smartphones, most of it is consumed domestically.
- IT Ministry Rajeev Chandrasekhar had expressed his concerns about India losing out to China and Vietnam due to high tariffs on import of mobile components.

### Import Duties on Smart Phones:

- The Indian government reduced import duty on mobile parts such as lenses, battery and back covers from 15% to 10%, by January-end.
- However, India continues to impose a 20% tax on chargers and circuit boards.

### Dominance of Vietnam in Smart Phone Exports:

- The IT Minister’s apprehensions are borne out by the data. In particular, Vietnam attracted many firms which were looking to reduce dependency on China.
- While China continues to dominate, Vietnam has eaten into its export share steadily over the years, taking over from South Korea as the second-biggest smartphone exporter.
- Both India and Vietnam had less than 1% export share before 2010. By 2022, Vietnam’s share rose to 12%, while India ranked seventh with a little over 2.5% export share.



## Smart Phone Exports from India:

- India is one of the leading players when it comes to cell phone exports by country.
- The country aims to accomplish the production of electronics worth US\$ 300 billion by FY 2026; manufacturing mobile phones will be the key to achieving India's ambitious goal.
- India's electronic goods exports surged by approximately 88% from US\$ 6,600 million in FY 2013-14 to US\$ 12,400 million in FY 2021-22.
- Mobile phones, consumer electronics, IT hardware, auto electronics, and industrial electronics were the key products exported from India.

## Challenges Faced by Smart Phone Sectors in India:

### 1. Global Competition:

- India competes with established players like China, South Korea and Taiwan, that have properly-evolved manufacturing ecosystems and brand popularity.

### 2. Supply Chain Constraints:

- The smartphone production supply chain in India is still evolving, leading to challenges in sourcing additives locally and depending heavily on imports.

### 3. Regulatory Hurdles:

- Export techniques, taxation guidelines, and regulatory compliance can be complex and time-eating, affecting the convenience of doing business and competitiveness.

### 4. High Domestic Consumption:

- India keeps to fabricate a significant quantity of smartphones, however, most of it is consumed domestically.
- Exports account for only 25% of India's smartphone production compared with 63% of China's production and 95% of Vietnam's.

### 5. High Import Price Lists:

- Made in India phones use many high-end parts imported, subject to the high tariffs to protect the local manufacturers, raising overall costs.
- Vietnam and China do not levy price lists above 10% on additives from their "maximum-desired country" trading companions or countries with whom they've unfastened-trade agreements.

### 6. Foreign Investments:

- Instead of India, Vietnam has attracted many firms which had been looking to lessen dependency on China.

### 7. High Tariffs on Specific Components:

- India still imposes a 20% tax on parts including chargers, some circuit boards, and fully assembled phones.

### 8. Tariff Discrepancies:

- The lawmakers and lobby groups for Apple and other firms argue India's high tariffs are a deterrent for companies de-risking their supply chains beyond China, and nations such as Vietnam, Thailand, and Mexico have raced ahead in phone exports by offering lower tariffs on components.



## Government Measures:

### 1. Production-Linked Incentive (PLI) Scheme:

- The government has launched the PLI scheme to provide financial incentives to smartphone manufacturers to boost local production and exports.

### 2. Phased Manufacturing Program (PMP):

- The PMP program promotes domestic value addition in mobile phones and their sub-assemblies/parts manufacturing.

### 3. Foreign Direct Investment (FDI):

- The government has permitted 100% FDI under the automatic route for manufacturing electronic devices (excluding countries sharing land borders with India).
- This has helped attract foreign investment in the electronics manufacturing sector.

### 4. Incentivized Areas for Export-Oriented Units:

- Special Economic Zones (SEZs) have been set up across the country to facilitate export-oriented manufacturing and trading.
- Units for manufacturing and related services set up under the Electronic Hardware Technology Park (EHTP) scheme are major contributors to India's electronics exports

### 5. Design Linked Incentive (DLI) Scheme:

- The DLI scheme offers financial incentives and design infrastructure support across various stages of development and deployment of chipsets, systems & IP cores, and semiconductor-linked design.
- The scheme provides both a "Product Design Linked Incentive" and a "Deployment Linked Incentive".

## WAY FORWARD:

### 1. Tariff Reduction:

- The recent reduction in taxes on some components, including battery covers, is a step in the right direction, but more significant tariff cuts are deemed necessary to bolster India's position in the global smartphone export market.

### 2. Incentives and Subsidies:

- The government can offer additional financial incentives and subsidies to smartphone manufacturers to offset the impact of high tariffs on imported components.

### 3. Trade Agreements:

- India should explore the possibility of entering into free trade agreements with key trading partners to lower tariffs on imported components.

### 4. Infrastructure Development:

- Investing in infrastructure, such as improved logistics and supply chain networks, can help reduce the overall costs of manufacturing in India.

### 5. Skill Development:

- Focusing on skill development and training programs for the local workforce can help improve the overall efficiency and productivity of the manufacturing sector.