

PRESS RELEASE

Large scale exports and deepening the ecosystem vital to higher Domestic Value Addition in Electronics Sector: ICRIER report

- India's electronic exports have nearly tripled between 2015 and 2022 – from \$5.8 billion to \$16 billion. India now plans to achieve the size and pace of exports attained by successful exporting nations such as China and Vietnam. Can it do so?
- A report prepared by India Council for Research on International Economic Relations (ICRIER), in collaboration with India Cellular and Electronics Association (ICEA), says the answer is yes. The report, **Globalise to Localise**, suggests a two phase, sequential approach: In phase one, India should relentlessly focus on achieving global scale in exports with a short-term target of at least USD 30 bn. This calls for temporarily easing localization requirements, lowering custom duties and accelerating integration through FTAs
- The second phase should focus on increasing Domestic Value Addition through creation of a competitive domestic ecosystem of ancillary suppliers. Since the latter will take time, implementation should begin right away through technology up-gradation programmes, sourcing fairs, supporting industry development programmes and workers training at scale

New Delhi, August 29, 2022: India is at the cusp of a manufacturing renaissance. A number of trade and industrial policies at home and the growing fragility of supply chains abroad, have meant that the global electronic firms are looking to India to diversify their manufacturing base and spread the source of their exports.

The ICRIER report titled as '*Globalise to Localise: Exporting at Scale and Deepening the Ecosystem are Vital to Higher Domestic Value Addition*', explores how India can achieve electronics production target of US\$300 billion and exports of US\$120 by 2025-26.

"Our "Make in India" programme has catalyzed an otherwise weak manufacturing economy and given its new momentum, opportunities, and expansion. Consequently, India today is the world's second largest manufacturer of mobile phones - with a clear focus on exports first followed by domestic value addition," said **Shri Rajeev Chandrasekhar**, Minister of State for Electronics and Information Technology, Skill Development and Entrepreneurship, speaking at the launch of the ICRIER report.

The report examines the empirical relationship between exports and the share of domestic value addition in successful exporting nations. It finds that the two variables are negatively correlated in the short-run, but exhibit positive correlation in the medium-term.

"Our study finds that China and Vietnam have adopted the mantra of 'first globalise, then localize', which means in the initial years they were determined to achieve global

scale in exports, and then shifted their emphasis to greater use of local contents," said Dr. Deepak Mishra, Director and CE of ICRIER and the lead author of the report.

The report, therefore, recommends a sequential approach that can put India's exports in the same trajectory as China and Vietnam. The immediate goal should be to export at scale to global markets (globalise), and the subsequent objective should be to increase the share of local content (localise). The report suggests several steps and policies needed for deepening the broader electronics ecosystem within India. Additionally, policies such as Gati Shakti will also help increase India's competitiveness.

Echoing the findings of the report, Mr. Pankaj Mohindroo, Chairman of ICEA said "*We have resurrected this industry after near total collapse in 2014. As a first step, we used PMP to build a USD 36 bn mobile industry. We are now pushing for global exports via PLI and a total production of USD 300 bn. With exports as our key focus, we are working on policies that will increase domestic value addition over the next few years. The world is looking to us for delivering on our potential!*"

According to ICEA, early results of the PLI Scheme are beginning to show. India's electronics exports crossed USD 16 bn in FY 2021-22. Electronics as a sector has jumped to the 6th largest export from India this year. Mobile phones constitute the single largest component of electronics exports from India. They are expected to contribute nearly 50 percent of the total electronics exports by next year.

The report points to an urgent need for India to create a competitive domestic ecosystem of ancillary suppliers through technology upgradation programmes, holding sourcing fairs and introducing supporting industry development programmes. In fact, the time may be ripe for a time-bound PLI scheme for electronic

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About ICRIER:

ICRIER is an autonomous economic policy think tank, in operation since 1981. ICRIER's goal is to help Indian policymakers make informed decisions, facilitated through its rigorous analytical research, objective policy advice and extensive networking events. For more information, see <http://icrier.org/>

About ICEA: ICEA is the apex industry body for the mobile and electronics industry comprising manufacturers, brand owners, technology providers, VAS application & solution providers, distributors, and retail chains of mobile handsets and electronics. ICEA is committed to carrying forward its vision of building Indian manufacturing and design in verticals other than mobile handsets while consolidating the gains made in the mobile handset and components industry. ICEA is entirely devoted to improving the competitiveness and growth of the industry by closely working with the Government's ministries to create a robust, legal, and ethical electronics industry, thereby creating an innovative market environment in the country.

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