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NITI Aayog proposes simpler tariffs, fresh incentives to boost electronics sector

In a report released on Thursday, the gov identified fiscal support to design-focussed companies alongside easing the process for technology transfer as key to boosting domestic electronics manufacturers' role in global value chains (GVCs).

Despite ongoing incentive schemes for most components, industry participation has been limited as present scheme structures fail to address the unique economic realities of component manufacturing, the report also noted.

To grow India's electronics sector from $100 billion to $500 billion by 2030, NITI Aayog has recommended a slew of measures that include simplifying import tariffs for components and offering fiscal incentives for domestic manufacturing of components.

In a report released on Thursday, the government's apex think tank also identified fiscal support to design-focussed companies along technology transfer as key to boosting domestic el global value chains (GVCs).

The report titled "Electronics: Powering India's Participation in Global Value Chains" said high tariffs on components are hindering India's ability to scale up electronics exports and compete globally. India is import-dependent on numerous components that are used in the manufacturing of mobile phones and other management chips.

"On average, India's tariffs on relevant electronics are around 7.5 per cent, which is higher than China (4 per cent), Malaysia (3.5 per cent), and Mexico (2.7 per cent). These high tariffs put Indian electronics exports at a 5-6 per cent cost disadvantage, making them less competitive in the global market. Therefore, there is a need for simplifying and streamlining the tariff structure so as to unlock India's export potential in the electronics sector," the report said.

At the release of the report, NITI Aayog CEO BVR Subrahmanyam said, "Atmanirbharta does not mean we make everything— it means we make far more than what we actually import. I think that is what participation in GVCs is about. It also means easy custom procedures, easy movement of goods across borders so that movement happens barrier-free".

Despite ongoing incentive schemes for most components, industry participation has been limited as present scheme structures fail to address the unique economic realities of component manufacturing, the report also noted.

It recommended opex support for scaling manufacturing of components that are less complex and require low capex. For complex components, the report recommended capex support and hybrid support, which includes both opex and capex, to boost domestic manufacturing of components.

"We will definitely take this forward to the other arms within the government to make sure that we have a component scheme. Our Minister has already been

Krishnan added that domestic value addition for mobile phone manufacturing needs to double from 18-20 per cent to 35-40 per cent.

The report, which was prepared following extensive consultations with industry and policy stakeholders, also proposed fiscal support to design-focused Indian companies to scale up manufacturing of components and products that are designed in India. To strengthen supply chains for domestic manufacturers, the report suggests development of four large greenfield industrial clusters and six brownfield clusters.

"Electronics Manufacturing Clusters (EMCs) in current shape are not attractive for SMEs and large players… There is also a need to undertake a thorough audit of existing EMCs to evaluate utilisation, implementation problems, and the state of facilities provided," the report said. The government first launched the EMC scheme in 2012, which was later revamped in 2020.

The report also included suggestions around improving access to skilled labour, by expediting visa approvals for professional visiting for training purposes and setting up Electronics Skill Training Hubs, and easing processes around technology transfer.

"To empower domestic electronics manufacturing, a convenient and economically viable technology transfer process is essential. Additionally, there is a need to develop a mechanism to fast-track approvals under Press Note 3 (2020) for specific proposals where foreign companies are critical for ecosystem development," it said.

In 2020, the government amended the foreign dir through Press Note 3 whereby entities from count beneficial owners from such countries can only i route.

In a business-as-usual scenario, the report expects India's electronics sector to grow to $275 billion in FY30 from $101 billion in FY23. In an export-focussed scenario, which includes implementing some of the suggestions made in the report, the

60 lakh people, Subrahmanyam said.

With the implementation of suggestions like reducing GST rates on electronics to boost domestic demand, the report proposed a third scenario in which the market can grow to $625 billion by the end of this decade.

NITI Aayog Vice Chairman Suman Bery, Senior Advisor Ishtiyaque Ahmed, and other officials and industry stakeholders were also present at the report launch.

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