

Symposium on the 15th Anniversary of the Information Technology Agreement

The Experience of Developing ITA Participants

INDIA

**14 May 2012
WTO, Geneva**

A Presentation by

S.K. Marwaha, Scientist 'E'

**Department of Electronics and Information Technology (DeitY)
Ministry of Communications and Information Technology
India**

Underlying Objectives of ITA

- (i) Expanding world trade in information technology products considering the key role this trade plays in development of information industries and in the dynamic expansion of the world economy;
- (ii) Raising the standards of living and expanding the production of and trade in goods;
- (iii) Achieving maximum freedom of world trade in information technology products and to encourage continued technological development of the information technology industry on a world-wide basis.

Impact of ITA (1)

Most Verticals of Electronics Dominated by Few Companies

- Huge barrier for a new entrant in manufacturing space or innovation
- Reduction in level of competition

Examples:

Personal Computers - HP, IBM, Apple, Acer, Lenovo, Dell

Telecom Equipment - Alcatel-Lucent, Ericsson, Nokia, Cisco, Juniper, Huawei

Flat Panels - Samsung, LG, Sharp, Panasonic, Sony, Toshiba, Hitachi

Semiconductors - Intel, Samsung, Texas Instruments, Toshiba, AMD, ST
Microelectronics, Analog Devices

Mobile Handsets - Apple, Samsung, Nokia, RIM, LG

Impact of ITA (2)

Few large companies dominating the world market, resulting in

- Intellectual Property costs for several products far exceeding their Bill of material (BOM) cost due to closely held technology
- Controlling prices, Driving standards and their enforcement
- High prices impacting proliferation, leading to digital divide
- Preventing large scale participation in innovation processes

Impact of ITA (3)

Commoditization of Electronics across the globe

- Local choices / preferences not being serviced
- Frugal innovation compromised
- Scant regard to diversity of world

Digital Hearing Aid - Reaching out to the Common Man

- Application Specific Integrated Circuit (ASIC) has been developed by CDAC Thiruvananthapuram
- Field trials currently going on
- Target price & volume: INR 2,000-3,000 (USD 60) in 1 million volume



Impact of ITA (4)

Intellectual Property development - A Challenge

- Barriers created due to an Oligopolistic market
- No mandatory provision on grounds of public interest like access, addressing digital divide
- Developing countries constrained to use electronics products catering to tastes and preferences of developed world
- Products addressing local needs and requirements including those specific to local languages, cultural needs, operating conditions etc. have not been developed thereby further accentuating the digital divide.

Impact of ITA (5)

Technical Standards: Technical Barriers to Trade (TBT Measures)

- TBT is the most significant standards / regulation faced by the ITA sector
- Over the years the TBT measures of WTO members have been increasing thereby annulling the ITA tariff reductions

Strategic / Security Concerns

- Deployment of high tech equipment / components a major strategic issue
- Addressing security concerns an issue

Impact of ITA (6)

Trade Effect

- Erosion of domestic electronics manufacturing has led to trade imbalance
- India's average trade deficit on ITA products during the period 2009 and 2010 was \$ **15.54 billion** which is **69.26%** of the average trade in that period.
- India's average share of exports in ITA products during the period 2009 and 2010 was **0.28%**

Impact of ITA on Electronics Hardware Manufacturing in India

- Sharp decline in investments in manufacturing of components, raw materials, parts and even electronic sub-assemblies
- High value added manufacturing requiring high investment suffered the most
- Share of domestically manufactured electronic components has declined from over 50% to around 20-22% over past 10 years
- Substantial dependence on imports, which is growing at a fast pace
- Exports from India face huge Non Tariff Barriers

Thank You