

ELCINA ELECTRONIC INDUSTRIES ASSOCIATION OF INDIA
(Formerly Electronic Component Industries Association)

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Press Release

Electronic Manufacturing Industry Facing a Crisis
Value Addition missing while we are exporting jobs !

ELCINA represents the Electronic Hardware Manufacturing sector, with a focus on electronic components, materials, assemblies as well as electronic manufacturing services which are the backbone of electronics. *Unfortunately, this sector finds itself in an unenviable situation with imports swamping the Indian market and investments in high value addition manufacturing eluding the industry.*

Expressing concern about the state of the industry, *President of ELCINA, Mr. A G Rohira, commented that "ironically an industry which has great potential to generate large-scale employment opportunities and wealth for the nation is struggling to survive."* While the WTO Agreement has opened almost the entire electronic hardware sector to zero import duty, local manufacturing is faced with huge disabilities which makes indigenous manufacturing uncompetitive against Asian manufacturers such as China, Thailand, Malaysia etc. *Mr. Rohira further commented "the industry has to grapple with additional disability factor related costs such as higher interest rates, energy costs, cascading taxes and procedural delays making imports cheaper and an attractive proposition".*

ELCINA wants to highlight that India offers one of the largest markets for Consumer Electronics and Information and Communication Technology (ICT) Products. Due to unfavourable conditions Manufacturers are simply importing SKD kits from China and other Asian countries which are assembled with screwdriver technology and sold locally. This neither adds value for us nor does it create employment. ELCINA feels that *we are actually exporting jobs. If the components and parts which comprise these SKD kits could be manufactured locally it would create huge employment opportunities for blue collared workers, generate revenues and strengthen our economy.*

India imports electronic components & equipment worth \$14 billion annually against local manufacturing of US\$ 16 Bn. This is barely 1.75% of our GDP compared to China where electronics hardware output is valued at more than US\$ 300 Bn which is over 13 % of their GDP.

Why are we lagging behind is a question our leaders need to answer. The gap between demand and local manufacture for electronic hardware has been growing rapidly and consistently and unless the local industry is offered a level playing field and incentives to invest, we will be faced with the twin problem of unmanageable growth of imports and a shrinking local manufacturing base. It is estimated that demand for electronics hardware in India would rise from US\$30 Bn today to US\$ 320 Bn by 2015 and if we can produce even 50% of this locally, Electronics Hardware can provide direct employment to 7 million workers and an additional 14 million jobs.

ELCINA wishes to highlight the alarming situation faced by us. The industry with the highest strategic and economic potential is being left to wither while countries like China are offering sops to their industry, a supportive policy framework and a low cost and efficient infrastructure. We need to address the situation urgently or reconcile to a bleak future.

ELCINA has submitted its recommendations for the Union Budget 2008-09 to the Department of IT and Finance Ministry and it is hoped that the same will be considered favourably in the interest of the industry.

Rajoo Goel
Secretary General

7th December 2007

For favour of publication in your esteemed newspaper/magazine.
(A summary of ELCINA's recommendations is enclosed)