Restrictions on the import of laptops, tablets, and servers

Description

Theme:

- On August 3rd, 2023, the Indian government took steps to restrict the import of laptops, tablets, and servers. Later, the government clarified that the decision will be applicable from 1st November 2023 to allow a transition period.

How will the import curbs apply:

- This move ended free imports of IT hardware. The new policy mandates that imports of laptops, tablets, and servers require a licence. The government mentioned that the licensing process is easy and will take just five minutes to issue licences.
- However, the specific criteria for obtaining these licences have not been disclosed.
- The government plans to grant licences on a case-by-case basis.
- Controlling the imports through licensing existed before India liberalized its economy in 1991.

The reasons behind this move:

- Heightened concerns over Chinese tampering with electronics, which are exported to different countries for espionage purposes, have also influenced this decision. This move will help in ensuring national security and also will protect Indians from data breaches.
- In recent times, India has been a substantial importer of laptops, tablets, and servers. 77% of IT hardware imports are from China. The government has raised concerns about the growing dependence on foreign imports of these critical technology products. This move can reduce the reliance on Chinese imports while increasing domestic production.

Positive Impact:

- **Domestic Manufacturing Boost:** The policy could drive investment in domestic manufacturing, fostering job creation and decreasing import dependency. It may help in achieving self-sufficiency in electronics production.
- **Protecting national security:** By reducing reliance on foreign suppliers, the policy could contribute to safeguarding India's national security in the realm of critical IT products.
- **Increasing innovation:** This policy might catalyse innovation within the Indian IT sector, prompting domestic manufacturers to develop new products tailored to local demands.
- **Technology Transfer:** Domestic manufacturers could gain access to foreign technology, boosting their competitiveness and enriching India's global market presence.
- **May narrow the trade deficit with China:** The trade deficit for India with China was $101.02 billion in the year 2022. The trade deficit crossed $100 billion for the first time. The restrictions on IT imports may result in narrowing it.
- **More companies may sign up for the revised PLI scheme:** In May 2023, the government of India announced a revised production-linked incentive scheme offering incentives worth Rs.17,000 crore to set up manufacturing units to make IT hardware such as laptops, tablets etc. As per the government, 44 companies applied for it. Now, the restrictions on IT imports may encourage more companies to apply for this scheme, which can boost local production of IT hardware.

Negative Impact:

- **Supply and demand problem:** At present, India relies on imports for about 70% of its tablets and approximately 80% of its computers and laptops. A sudden restriction on imports within a short span of time would disrupt the balance between supply and demand, causing problems in the market.
- **Price rise:** The abrupt halt in imports may trigger an increase in the prices of these products. Because of the ban, there might not be enough supply, and more people wanting them could make them cost more for consumers.
- **Manufacturing Challenges:** Building computers and similar products involves complex global supply chains. Abruptly restricting imports and attempting to shift all production to India wouldn't necessarily lead to immediate manufacturing growth because the process is complicated and takes a lot of time due to the many different steps and parts that have to be sourced from around the world.
- **Threat of Favouritism and Corruption:** The allocation of licences could give rise to typical issues such as favouritism and corruption. Government officials responsible for granting licences might be susceptible to making biased decisions, undermining fairness and transparency.

Conclusion:

The Indian government's decision to impose restrictions on the import of laptops, tablets,and servers is complex, carrying potential positive and negative impacts. While the policy'sintention is good, it's crucial to thoroughly weigh the risks and benefits before implementationbecause licensing was not successful in the past. Therefore, exercising caution in re-implementing this policy is important, as it remains unclear if it will achieve the desired results.

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Your Turn…

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References:

- [IT import curbs: Licence Raj or Make in India?](#)

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