

'Chance for India to be an export-driven manufacturing hub'

Union Minister of State for Electronics and Information Technology (IT) **RAJEEV CHANDRASEKHAR** tells Surajeet Das Gupta and Ashutosh Mishra in an interview in New Delhi that India is now at an interesting inflection point where manufacturing is moving from import substitution as the only primary goal to export-led growth. Edited excerpts:

One contentious issue is value addition. Today, Apple is at around 12-15 per cent and others are around 20 per cent. Will the next two years of PLI be crucial if you want to hit 40 per cent as stipulated under the scheme?

Value addition in electronics will never be determined on a per piece basis. It is driven as a gross value add because it is a volume game, like consumer electronics. For instance, China does \$1.2 trillion production and exports of electronics. But it imports 600-700 million of components. Our approach is to hit \$300 billion of electronics manufacturing and target \$60-75 billion of value add. Some economists who live in la-la land make the mistake of saying we only do services and not manufacturing. In consumer electronics, we have large volumes but per piece value add is low while in areas like servers, routers, telecom etc., value add is higher, so we have to look at an average.

Your target for mobile devices is to hit \$130 billion value of manufacturing by FY26. What is your expectation of gross value add in this segment?

I am pretty confident it will not be less than \$15-20 billion.

Do you think value addition has to be redefined?

There are a lot of gross value adds that are not added, like the entire logistics value chain being created, the value add created by new jobs leading to increased consumption, the services industry developing around these plants, value add from maintenance and repair, value created by the supply chain which set up units etc. That is the way to calculate digital value add.

What is the progress on semiconductors, after Micron? Is the over ₹6,000 crore earmarked in FY25 be enough?

We are currently evaluating the first really credible fab proposal. There is another in the pipeline. There are four compound semiconductor fab proposals being evaluated and three packaging proposals. There has been a significant uptick after the Micron plant was approved. Is ₹6,000 crore enough? Prima facie, maybe not. But we can go back and ask for more within the overall framework of \$10 billion.

Global companies have been worried about making India a hub for exports, such as mobile devices, because input tariffs on components are high compared to China and Vietnam where they are virtually zero, making India globally uncompetitive. Is the finance minister's decision to reduce tariffs on input costs just a day before the Budget a help?

The phased manufacturing programme was about import substitution and value addition. Now we are saying India has an opportunity to become an export-led manufacturing country. In tariffs, there is clearly a move from the finance minister to rationalise the duties for components on mobile devices in order to signal that we are ready to be a competitive export-led manufacturing destination like Vietnam or China.

In semiconductors, many OSAT companies, especially in Taiwan, are reluctant to come to India because of lack of stability in taxation and fears of

punitive action on transfer pricing. Has this been taken care of?

This was the case leading up to Micron. In packaging, millions of wafers come in and tens of billions of devices go out. So, import-export being seamless, with no cost or with no impact on their business, is key. This was a concern raised repeatedly leading up to the first investment of Micron. But we have signed a multi-year API with them. All that has been done. The government moved very quickly. That is why we are getting so many semiconductor proposals.

In mobile devices you had talked of domestic global champions through PLI but that has not taken off. Why?

No, the government's objective is that in every segment of electronics, we should have a mix of global giants and Indian giants. We had Indian giants but the unfettered entry of Chinese firms who played easy with Indian rules meant they cannibalised and basically knocked all the Indian players out of the market. We are rebuilding them slowly. I can predict today, at the risk of sounding like an astrologer, that in the next two-four years, you will see a lot of the existing Indian brands make a comeback.

But do you see \$300 billion in electronics achievable in another two years? Or \$130 billion in mobile devices?

Whether we will hit it on April 1, 2026, or September 2026 or 2027, I have no way of knowing. There are many imponderables, including the global recession.

On AI, there is a positive side alongside a huge concern about job losses. What is the government's assessment?

While AI is going to be disruptive for the technology workforce and the workforce in general, that does not automatically imply there is going to be joblessness. It means there are going to be new jobs and new roles that are going to be created, just as you saw in the wake of electronics and after computerisation.

AI has the tremendous potential to do both good and harm. AI will be open and transparent. We will not allow any platform to control the internet, whether by market size or by access. We will not allow that kind of gatekeeping or creating islands of market power.

The second point is that regardless of who you are and what your platform is, whether you are Indian or foreign, small or big, AI or no AI, you are responsible for the safety and trust of our digital markets who consume your platform.

Third, this openness, safety and trust are not going to be just guidelines or self-regulation. There will be legal accountability. Just as we have used these three frameworks for social media and the broader internet, so we will apply them to AI. Whether you are Google, ChatGPT, whether you are being powered by AI, whether you are co-piloted by Microsoft, whether you are using Meta — you are responsible for ensuring that you legally, either as a platform or the user using your platform, do not do anything criminal on the platform.

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