Import License for Laptops

Why in news?

The Commerce and Industry Ministry has notified restrictions on imports of laptops, personal computers (PCs), tablets and servers, making it compulsory for importers to secure a licence.

Status of India's import in laptop
• In 2022-23, imports of personal computers, laptops, etc. stood at 5.3 billion dollars. • India imported $10 billion of computing products last fiscal year. • China accounts for an overwhelming share of these imports. • As per a report from think tank Global Trade Research Initiative (GTRI), India's imports from China are predominantly focused on 3 key product categories – electronics, machinery, and organic chemicals

What is the procedure for obtaining import license?

- **Authority** - All notifications on restrictions, quotas and conditions on the *import of goods into India* are managed by the Directorate General of Foreign Trade (DGFT).
- The DGFT comes under the *Ministry of Commerce and Industry*.
- It is responsible for administering laws regarding *foreign trade,* including import regulations.
- **Validity of license -** Import Licenses are valid for
    - *24 months* for capital goods
    - *18 months* for raw materials components, consumables and spares
- The license term is renewable.
- **Types of licenses** - Export-Import Policy (Exim Policy) outlines guidelines and instructions governing the import and export of products.
    - **Open general license (OGL)** - Allows importers to bring in certain goods without the need for individual licences.
    - **Restricted or specific license** - Issued for goods that must be monitored due to trade agreements, international obligations, or to protect domestic industries
        - Computers and laptops will likely fall into this category.
- **Eligibility for license -** An importer-exporter code (IEC), a unique 10-digit code issued by the DGFT is mandatory for the license.
- However, exemptions extends to
    - Individuals importing or exporting goods for personal use unrelated to trade, manufacturing, or agriculture.
    - Ministries, departments of central government and agencies, and non-commercial PSUs, among others.

Computers and laptops would fall under capital goods

What is the Government move about?

- India has imposed restrictions on the import of personal computers, laptops, tablets, all-in-one PCs, 'ultra-small form factor' computers, and servers falling under HSN code 8741.
- These imports will be subject to a valid license for restricted imports.
- **Aim** - To promote domestic manufacturing of these products and reduce reliance on imports from China.

Exemptions

- **Baggage rules** - This restriction will not apply to imports under baggage rules.
- **Individual purchase-** Individuals can import *one* laptop, tablet, all-in-one PC, or ultra-small form factor computer, even purchased from e-commerce portals.
- Duties will still apply to these imports.
- **Capital goods**- Laptops, tablets, all-in-one PCs, and ultra-small form factor computers essential for capital goods are also exempted.
- **Research and development-** It allows *upto 20 items* import per consignment without a license.
- These items must not be sold and must be either destroyed or re-exported after the intended purpose.

What is the need for such a move?

- **Global player-** It aims to reduce reliance on foreign markets and to make India a global manufacturing hub.
- **Boost domestic manufacturing-** It shows strong commitment to promote local production, thus giving impetus to “Make in India”.
- **Investment destination-** It will boost top companies around the globe to proactively invest in India.
- **National Security-** Hardware from ‘non-trusted’ sources could come with ‘built-in security loopholes’ endangering sensitive personal and enterprise data.
- This move will curb imports from China and ensure citizen’s security.
- **Boosts PLI -** The government has taken this step to boost the production-linked incentive (PLI) scheme for IT hardware.
- The mandate is also in compliance with the World Trade Organisation

For target segments, the PLI scheme provides incentive of 4% to 6% on incremental sales over the base year for goods manufactured in India.

What are the challenges of the move?

- **Supply shortages**- It will lead to unnecessary disruption in the immediate term, and price surge.

- The consignments were stuck at port and warehouses.
- **Cost disadvantages-** It may force the companies to manufacture in India, but it has its own challenges in terms of price, investment etc.,
- **Bureaucratic discretion-** It could open the door for imposition of similar licensing requirements in other sector.
- **Red tapism-** The importer needs to register with the government and need to then pay 0.1% fee just for application but there is no guarantee if or when approval will be given.
- **Back to license raj-** Since, all business decisions will need government approval, it increases uncertainty and hampers economic progress.
- **Focus on structural changes**
    - Inadequate infrastructure and supply chain,
    - High financing costs,
    - Inadequate skill and power availability etc.,

Rajaraman Committee
• The Rajaraman Committee Report (1981) set the stage for the import of computers and their parts. • It led to - Computerisation of Indian Railways passenger reservation system - Progressive entry of computers into India's financial sector - Catalysed India's IT revolution • It proposed concessions for the import of computers against software exports.

References

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