Institute of Chinese Studies

WEDNESDAY SEMINAR

Manufacturing Ambitions Minus Chinese Investments? Smartphone Companies in India and the 'Indianisation' Fix

EXECUTIVE SUMMARY

Speaker :

Anand P. Krishnan

9 October 2024

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Speaker: Dr. Anand P. Krishnan, Fellow, Centre of Excellence for Himalayan Studies, Shiv Nadar Institution of Eminence, Delhi-NCR; and, Adjunct Fellow, Institute of Chinese Studies, New Delhi

Chair: Mr. Ravi Bhoothalingam, Emeritus Fellow, Institute of Chinese Studies, New Delhi; and, Founder and Chairman, Manas Advisory, Gurgaon

Date: 9 October 2024

Venue: Zoom

- The seminar examined the role and challenges of Chinese smartphone companies in India, particularly in the wake of the 2020 Galwan clash. The presentation was divided into two sections: the first explored the growth and strategies of these companies, while the second analyzed the impact of localisation pressures on their operations.

- Dr. Krishnan highlighted that the success of Chinese smartphone companies such as Xiaomi, OPPO, Vivo, and OnePlus in India has been largely driven by their integration with Indian popular culture, particularly through cricket and cinema sponsorships. Their expansion was facilitated by the Indian government's *Make in India* initiative, which encouraged local manufacturing and permitted 100% Foreign Direct Investment (FDI) in the sector.

- These companies employed a multi-faceted marketing strategy, including the establishment of exclusive retail stores while maintaining strong relationships with local retailers, enhancement of brand visibility through celebrity endorsements and popular culture partnerships, and engagement with influencers and digital platforms to reach diverse customer segments.

- The 2020 border clash in Galwan led to heightened scrutiny of Chinese investments, triggering calls to boycott Chinese products and increasing government oversight. The Indian government introduced measures to push for 'Indianisation', requiring Chinese firms to appoint Indian executives, collaborate with local manufacturers, and encourage Indian equity participation. Despite these challenges, the speaker noted, Chinese smartphone firms continue to dominate the Indian market due to their well-established supply chains, which alternative players, such as Taiwanese manufacturers, have yet to match.

- According to the speaker, India lacks critical infrastructure for full-scale smartphone manufacturing, including comprehensive supply networks, well-developed ancillary industries, and stable power and water supply. While localisation efforts are being pursued, complete decoupling from Chinese investments in the electronics sector remains challenging. Dr. Krishnan advocated for a balanced approach that allows selective engagement with dominant players while simultaneously strengthening India's domestic manufacturing capabilities.

- Mr. Ravi Bhoothalingam, in his closing remarks, emphasised that Chinese companies have demonstrated remarkable adaptability in navigating regulatory challenges. He suggested that India could learn from their strategies, using them as case studies to enhance resilience in its own manufacturing sector.