



IAS PARLIAMENT

Information is Empowering
A Shankar IAS Academy Initiative

Becoming a Defence Manufacturing Hub

What is the issue?

\n\n

- \n• The four-day DefExpo India took place recently in Chennai.
\n
- India's ambitious objective of being a defence manufacturing hub demands a lot more efforts.
\n

\n\n

What were the stated aims?

\n\n

- \n• The DefExpo has ambitiously positioned India as an emerging defence manufacturing hub.
\n
- It places it as an exporter of defence systems and components.
\n
- Such an objective seems uncertain to be achieved in the near future.
\n

\n\n

Why is the uncertainty?

\n\n

- \n• It's because India is the world's top importer of arms.
\n
- It accounted for 12% of total global arms imports during 2013-17.
\n
- It spends around 30% of total defence budget on capital acquisitions.
\n

- 60% of defence-related requirements are currently met through imports.
\n
- It does not even figure among the top 25 arms exporters.
\n

\n\n

Why is indigenisation critical?

\n\n

- \n
- About 62% of India's arms imports in 2013-17 originated in Russia, 15% in the US and 11% in Israel.
\n
- India is the largest customer for the Russian and Israeli defence industries and the third-largest for the French.
\n
- Significantly, India's imports from the US jumped around 500% between 2008-12 and 2013-17.
\n
- India's rising imports of arms is in sharp contrast to China.
\n
- China reported a 19% drop in overseas purchases between 2008-12 and 2013-17.
\n
- It accounts for 4.6% of the global arms export market.
\n
- With this, it has emerged the fifth-largest exporter of arms.
\n

\n\n

- \n
- Given this high level of dependence, indigenisation of defence procurement is critical for strategic reasons.
\n

\n\n

What are the measures taken in this regard?

\n\n

- \n
- **Private sector** - 'Make in India' focuses on increasing indigenous defence manufacturing and becoming self-reliant.
\n
- The resultant private participation in defence sector has helped foreign

OEMs (Original Equipment Manufacturers).

\n

- They have entered into strategic partnerships with Indian companies.
- It has leveraged opportunities in the domestic as well as global markets.

\n

\n\n

\n

- **Duty exemption** - The preferential treatment given to DPSUs in excise and customs duty has been discontinued.

\n

\n\n

\n

- This is to create a level playing field for all Indian industries (public and private).
- **Indigenisation** - The Defence Procurement Procedure 2013 was amended with effect from April, 2016.
- This was to encourage indigenous design, development and manufacture of defence equipment.
- India's focus on indigenous manufacturing is paying off.
- Evidently, the ministry of defence over the last 2 years unveiled several products manufactured in India.
- These include

\n

\n\n

\n

- i. the HAL Tejas light combat aircraft
- ii. the composite Sonar dome
- iii. a portable telemedicine system for the Armed Forces
- iv. penetration-cum-blast and thermobaric ammunition specifically designed for Arjun tanks
- v. a heavyweight torpedo called Varunastra manufactured with 95% locally sourced parts

\n
vi. medium range surface to air missiles
\n

\n\n

- \n
- **Defence deals** - The Defence Acquisition Council under the ministry of defence has cleared many defence deals.
\n
- Deals worth over Rs 820 billion under the “buy and make” and “buy Indian” categories were cleared.
\n
- **FDI** - 100% FDI is allowed in the defence sector.
\n
- Of this, up to 49% is under the automatic route.
\n
- FDI above 49% is permitted through the government route.
\n
- This is done on a case-by-case basis where it is likely to result in access to modern technology.
\n
- **Budget** - The government increased the defence budget by around 5.9% for 2018-19.
\n
- Accounting for around 12% of total government expenditure, it is around 7.8% more than the last year's budget.
\n
- **Industries** - It is planned to develop two defence industrial production corridors.
\n
- Formulating an industry-friendly military production policy is also under consideration.
\n
- An industry-friendly “defence production policy 2018” to promote domestic production by the public sector, private sector and MSMEs is also underway.
\n
- **Foreign trade policy** - It provides guidelines for engaging with Indian missions abroad.
\n
- It facilitates exports of indigenously developed defence systems.
\n
- In an unprecedented move, India recently called in all its 44 defence attaches from missions abroad.
\n
- It aimed at tapping the potential for defence exports and strengthening the

interface between the government and industry.

\n

- The measures have contributed to increasing defence manufacturing and exports.

\n

\n\n

What lies before India?

\n\n

\n

- India has still a long way to go, to become a defence-manufacturing powerhouse.

\n

- The government should place large orders with defence public sector undertakings (DPSUs) with proven skills.

\n

- Private-sector defence players who have tie-ups with global players for technology transfers should also be roped in.

\n

\n\n

\n\n

Source: Business Standard

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative