

Becoming a Defence Manufacturing Hub

What is the issue?

\n\n

\n

- The four-day DefExpo India took place recently in Chennai.
- 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.
- It places it as an exporter of defence systems and components.
- 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.
- It accounted for 12% of total global arms imports during 2013-17.
- It spends around 30% of total defence budget on capital acquisitions.
- 60% of defence-related requirements are currently met through imports.
- 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
 - Given this high level of dependence, indigenisation of defence procurement is critical for strategic reasons.

\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.
 - \n
 - 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).

\n

- **Indigenisation** - The Defence Procurement Procedure 2013 was amended with effect from April, 2016.

\n

- This was to encourage indigenous design, development and manufacture of defence equipment.

\n

- India's focus on indigenous manufacturing is paying off.

\n

- Evidently, the ministry of defence over the last 2 years unveiled several products manufactured in India.

\n

- These include

\n

\n\n

\n

- i. the HAL Tejas light combat aircraft

\n

- ii. the composite Sonar dome

\n

- iii. a portable telemedicine system for the Armed Forces

\n

- iv. penetration-cum-blast and thermobaric ammunition specifically designed for Arjun tanks

\n

- 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

Source: Business Standard

\n

