Fostering Defence Export Ecosystem

This editorial is based on "**Time to foster defence export ecosystem**" which was published in the Hindu on 14/02/2023. It talks about Issues with the Indian defence sector and steps that need to be taken.

For Prelims: BrahMos Missile, Defence Acquisition Procedure (DAP)-2020, Positive Indigenization Lists, Defence Public Sector Undertakings (DPSUs), Foreign Direct Investment, Innovations for Defence Excellence (iDEX) scheme, MSME, Defence Industrial Corridors

For Mains: Achievements of Indians in Science & Technology, Defence Technology, Indigenization of Technology

As a result of the **government's shift from viewing India as a net importer to a net exporter** over the past few years, the defence sector has seen a quantum jump. India's defence exports reached a record USD 1.6 billion in 2021–22 and by 2023, it will surpass USD 2.2 billion.

A credible effort with a suitable policy framework have helped explore fragmented export opportunities, exception being BrahMos Missile **export to the Philippines.**

While the achievement needs to be celebrated, it is **equally important to learn from the missed defence export opportunities.** After successfully executing policy reforms and strengthening the business ecosystem, it is time to improve the export ecosystem.

What is the State of Defence Exports from India?

- India's defence export status has been improving in recent years, with the country emerging as a leading exporter of defence equipment to friendly countries. However, there have been missed opportunities.
    - India's defence exports for 2021-22 were **estimated at Rs 13,000 crore, the highest ever.**
    - The **private sector accounted for 70% of the exports**, while public sector firms accounted for the rest.
- India has **been successful in exporting products such as personal protective items,** offshore patrol vessels, and avionics to countries like Maldives, Sri Lanka, Russia, France, Nepal, Mauritius, Sri Lanka, Israel, Egypt, the UAE, and Chile.
- However, there is a **need to increase the value of defence exports and target larger markets** to achieve the **USD 5 billion export target set for 2025.**
- India has **failed to convert interest from countries like** Indonesia, Malaysia, Singapore, Vietnam, Egypt, South Africa, and Brazil into business action for products such as the BrahMos and Akash missile systems.
    - These countries have expressed interest in the BrahMos missile system, but India has not

been able to convert this interest into business action.
- India has a**lso been unsuccessful in clinching big naval defence orders from countries** such as Oman, Myanmar, Mauritius, and Vietnam.

What are the Challenges with India's Defence Export?

- **Lack of Competitiveness:**
  - India's defence products are often considered to be of lower quality and higher cost compared to those of other major defence exporters like the US, Russia, and Israel.
- **Limited Export Portfolio:**
  - India's defence exports are limited to a few countries and product categories. This limits its potential to tap into the global defence market.
- **Bureaucratic Hurdles:**
  - India's defence export process involves several bureaucratic hurdles and red tape, making it difficult for exporters to navigate.
- **Lack of Clear Policy:**
  - India's defence export policy is not well-defined, which creates confusion and uncertainty for potential exporters.
- **Dependence on Imports:**
  - India still imports a significant amount of its defence equipment, which limits its potential to export advanced defence technology.

What are the Related Steps taken?

- According priority to procurement of capital items falling in **Buy Indian (IDDM) Category** from domestic sources under **Defence Acquisition Procedure (DAP)-2020**
- Notification of four **'Positive Indigenization Lists'** of total 411 items of Services and three 'Positive Indigenization Lists' of total 3,738 items of **Defence Public Sector Undertakings (DPSUs)**
- Simplification of **Industrial licensing process** with longer validity period
- **Rationalised Defence Product List** which required Industry License
- Liberalisation of Foreign Direct Investment (FDI) **policy** allowing 74% FDI under automatic route
- Launch of **Mission DefSpace**
- Launch of **Innovations for Defence Excellence (iDEX) scheme** involving Start-ups & Micro, Small and Medium Enterprises (MSMEs)
- Implementation of Public Procurement (Preference to Make in India) Order 2017
- Launch of an indigenization portal namely **SRIJAN** to facilitate indigenisation by Indian Industry including **Micro, Small and Medium Enterprises (MSME)**
- Establishment of two **Defence Industrial Corridors,** one each in Uttar Pradesh and Tamil Nadu

How can India Boost its Defence Export?

- **Dedicated Export Infrastructure:**
  - The Export Infrastructure can be for **training, hand holding and market intelligence systems.**
  - **Training of PSUs, especially one engaged in international business can be prioritised,** as the majority of the officers come from engineering backgrounds with limited knowledge or skill sets to manage international business operations.
  - A **dedicated Export Promotion Council,** specific to the needs of Defence Sector where **export promotion officers have an understanding of the policy framework of not only India** but also that of other countries involved in defence production and exports.
  - It is important for the Indian defence **industry to become familiar with international treaties/protocols (Nuclear Supplier Group/Australia Group/Missile Technology Control Regime/**Wassenar Group**)** as well as India's UN mandated and other international commitments and obligations through EPC officials.
- **Trade Support:**

    - The Indian defence sector also **needs a dedicated 'Trade Support' from regulatory agencies** for speeding up approvals, both related to production and export compliances.
    - For fragmented business opportunities, **there is a need to expose the Indian defence sector to trade fairs, Buyer-Seller Meet (BSM), reverse BSMs,** incubation opportunities with partner countries, and knowledge sharing.
    - For platform based export (**Tejas**/Brahmos/Sarang/**Light Combat Helicopter (LCH)**, **Indian missions abroad can play a vital role in not only exploring the evolving opportunities** but in tapping them up with dedicated diplomatic support during the prolonged negotiations.
- **R&D Infrastructure:**
    - Based on the needs of the industry, the **Department of Defence Production may explore joint or co-development opportunities with other countries.**
    - Another dimension of **R&D infrastructure is that India's defence industry should also be willing to share it with prospective friendly buyers** against potential export orders.
        - **For Example:** A fighter aircraft for Egypt or Rocket Launcher System for Bangladesh under joint/co-development arrangements.

Drishti Mains Question

Analyse the challenges and opportunities in the defence export ecosystem of India and discuss the measures that can be taken to enhance the country's potential in this sector.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q.1 Which one of the following is the best description of 'INS Astradharini', that was in the news recently? (2016)

(a) Amphibious warfare ship
(b) Nuclear-powered submarine
(c) Torpedo launch and recovery vessel
(d) Nuclear-powered aircraft carrier

Ans: (c)

- INS Astradharini is an indigenously built Torpedo Launch and Recovery Vessel. It was commissioned on 6th October 2015.
- The design of the Astradharini was a collaborative effort of Naval Science and Technological Laboratory (NSTL), Shoft Shipyard and IIT Kharagpur.
- It is an advanced replacement for Astravahini which was decommissioned on 17th July 2015. It has a unique design of a catamaran hull form that significantly reduces its power requirement and is built with indigenous steel.
- It can operate at high sea states and has a large deck area with Torpedo Launchers for deploying and recovering various kinds of Torpedos during the trials.
- The ship also has modern power generation and distribution, navigation and communication systems.
- 95% of the systems of the ship are of indigenous design, thus demonstrating the Navy's continued adherence to the 'Make in India' philosophy.
- INS Astradharini will be used to carry out the technical trials of underwater weapons and systems developed by NSTL, a naval systems laboratory of DRDO.
- **Therefore, option (c) is the correct answer.**

Q.2 Consider the following in respect of Indian Ocean Naval Symposium (IONS): (2017)

1. Inaugural IONS was held in India in 2015 under the chairmanship of the Indian Navy.
2. IONS is a voluntary initiative that seeks to increase maritime co-operation among navies of the

littoral states of the Indian Ocean Region.

Which of the above statements is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: (b)

- The 'Indian Ocean Naval Symposium' (IONS) is a voluntary initiative that seeks to increase maritime cooperation among navies of the littoral States of the Indian Ocean Region by providing an open and inclusive forum for discussion of regionally relevant maritime issues. **Hence, statement 2 is correct.**
- It provides a forum to increase maritime security cooperation, and promote friendly relationships among the member nations.
- The inaugural IONS-2008 was held in New Delhi, India in Feburary, 2008. The Chief of the Naval Staff, Indian Navy was designated as the Chairman of IONS for the
- period 2008-10. **Hence, statement 1 is not correct.**
- **Therefore, option (b) is the correct answer.**

Mains

Q. Foreign Direct Investment (FDI) in the defence sector is now set to be liberalized: What influence this is expected to have on Indian defence and economy in the short and long run? **(2014)**

Q. What is the significance of Indo-US defence deals over Indo-Russian defence deals? Discuss with reference to stability in the Indo-Pacific region. **(2020)**