

## 4. India's Defence Export -Import

**Prelims Syllabus:** Economics

**Mains Syllabus:** Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment.

### Why in News?

- Based on the latest estimates released by the Stockholm International Peace Research Institute (SIPRI) in the period between 2009-13 and 2014-18, Indian defence imports fell even as Exports Increased.

### Highlights:

- Indeed, the period between 2012 and 2019 saw Indian defence exports experiencing a considerable jump sourced from Indian public and private sector enterprises.
- In the last two fiscal years, 2017-18 and 2018-19, exports have witnessed a surge from 7,500 crore to 11,000 crore, representing a 40% increase in exports. Small naval crafts account for the bulk of India's major defence exports. However, export of ammunition and arms remain low.
- As a percentage of total Indian trade, defence-related exports for the fiscal years 2017-18 and 2018-19 were 0.8 and 0.73%, respectively.
- Russia's arms export to India fell 42% between 2014-18 and 2009-2013. In the same period, India's arms imports decreased 24%.
- Although India is still the second-largest arms importer in the world over the last five years, with Pakistan ranking at 11th.
- Broadly, **Two Factors** appear to be driving this shift.
- The first is the 'Make in India' initiative, as part of which a number of components from Indian private and public sector enterprises have been prioritised by the government.
- The second set of factors is extraneous to India in the form of delays in supplying equipment by vendors and the outright cancellation of contracts by the Indian government or at least a diminution of existing contracts.

### Role of Make in India and DPP:

- Under the 'Make in India' initiative, the Defence Procurement Procedure (DPP) lays out the terms, regulations and requirements for defence acquisitions as well as the measures necessary for building India's defence industry.

- It created a new procurement category in the revised DPP of 2016 dubbed 'Buy Indian Indigenously Designed, Developed and Manufactured' (IDDM).
- The 'Make' procedure has undergone simplification "earmarking projects not exceeding ten crores" that are government funded and 3 crore for Micro, Small and Medium Enterprises (MSMEs) that are industry funded.
- In addition, the government has also introduced provisions in the DPP that encourages technology transfers.
- Further Government dispensed with the erstwhile No Objection Certificate (NOC) under the DPP restricting exports of aerospace products, several dual-use items and did away with two-thirds of all products under these heads.

### **Public Sector Support:**

- According to government of India data for the financial year 2018-19, the three armed services for their combined capital and revenue expenditures sourced 54% of their defence equipment from Indian industry which in turn helped decrease imports and augment exports.
- Among arms producers, India has four companies among the top 100 biggest arms producers of the world.
- Hindustan Aeronautics Limited (HAL)
- Indian ordnance factories
- Bharat Electronics Limited (BEL)
- Bharat Dynamics Limited (BDL)
- It is estimated, according to SIPRI, their combined sales were \$7.5 billion in 2017, representing a 6.1% jump from 2016.

### **Impact on Exports-Imports owing to Cancellation and Delays:**

- Indian defence acquisitions have also fallen due to the cancellation of big-ticket items.
- Take for instance the India-Russia joint venture for the development of the advanced Su- 57 stealth Fifth Generation Fighter Aircraft (FGFA).
- India cancelled involvement in 2018 due to rising dissatisfaction in delays with the project as well as the absence of capabilities that would befit a fifth generation fighter jet.
- In 2015, the government also reduced the size of the original acquisition of 126 Rafale Medium Multi-Role Combat Aircraft (MMRCA) from Dassault to 36 aircraft, which is also responsible for significantly driving down the import bill.

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- The delays in the supplies of T-90 battle tanks, and Su-30 combat aircraft from Russia and submarines from France, in 2009-13 and 2014-18, also depressed imports.

**Bottlenecks in the Defence Sector:**

- Governments, including the incumbent, have tended to privilege Defence Public Sector Units (DPSUs) over the private sector, despite 'Make in India'.
- This model is highly skewed, undermining the growth of private players and diminishes the strength of research and development, thereby impairing development of the sector.

**Stockholm International Peace Research Institute:**

- SIPRI is an independent international institute dedicated to research into conflict, armaments, arms control and disarmament.
- Established in 1966, SIPRI provides data, analysis and recommendations, based on open sources, to policymakers, researchers, media and the interested public.
- Based in Stockholm, SIPRI is regularly ranked among the most respected think tanks worldwide.

