



# drishti

## Self Reliance in Defence Manufacturing

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This article is based on **“Grasping the defence self-reliance nettle”** from The Hindu published on 21/05/20. It talks about the challenges and the way forward for Defence manufacturing in India.

The superpower ambition, growing complexity of security challenges in India's neighbourhood and economic power (India poised to become a \$5 trillion-dollar economy by 2025), to safeguard these interests, India requires strong defence capabilities.

In pursuit of this, for most of the past decade, India has been one of the world's largest arms importers (accounting for about 12% of global arms imports). However, with 60-70% import-dependence for weapons, spares and ammunition create vulnerabilities during military crises.

In order to promote self-reliance in defence production, the government has announced several measures under **Atma Nirbhar Abhiyan**. Though these steps are in the right direction, there are long-overdue reforms to make India truly self-reliant in defence manufacturing.

### Indigenous Defence Manufacturing: Challenges

- **Too Much Delay:** In the past five years, the Indian government has approved over 200 defence acquisition proposals with the transfer of technology provision, valued around Rs 4 trillion, but most are still in relatively early stages of processing.
- **Public Sector Driven:** India has four companies (Indian ordnance factories, Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL) and Bharat Dynamics Limited (BDL)) among the top 100 biggest arms producers of the world.
  - All four of these companies are public sector enterprises and account for the bulk of the domestic armament demand.
  - Governments usually have tended to privilege Defence Public Sector Units (DPSUs) over the private sector, despite 'Make in India'.

- **Lack of Critical Technologies:** Poor design capability in critical technologies, inadequate investment in R&D and inability to manufacture major subsystems and components hamper the indigenous manufacturing.  
The relationship between the R&D establishment, production agencies (public or private) and the end-user are extremely weak.
- **Long Gestation Period:** The creation of a manufacturing base is capital and technology-intensive and has a long gestation period.  
For a factory to reach optimum levels of capacity utilisation, it could take anywhere between five to 10 to even 15 years and by the time a unit commences production, any of the following developments can take place:
  - There could be changes in the threat assessment/ strategy involving a complete change in priorities. For instance, buying a new advanced radar system may acquire a higher priority instead of adding more tanks or armoured vehicles.
  - Newer technologies could make products outdated unable to match with what the enemy may have acquired.
- **Poor Manufacturing Environment:** Also, issues related to stringent labour laws, compliance burden and lack of skills, affects the development of indigenous manufacturing in defence.  
Due to this, India hasn't been able to attract FDI in defence.
- **Lack of Coordination:** Overlapping jurisdiction of the Ministry of Defence and Ministry of Industrial Promotion impair India's capability of defence manufacturing.

## Steps To Be Taken

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- **Newly Appointed CDS:** The **Chief of Defence Staff (CDS)** could examine the defence acquisitions from a tri-service angle, this may avoid delays and speed up the defence procurement process.
- **Mandatory Transfer of Technology for Subsystems:** It is imperative that when India imports any weapon systems, there should be a plan for the ammunition and spares to be eventually manufactured in India so that we are not driven to seek urgent replenishments from abroad during crises.  
The same goes for repair, maintenance and overhaul facilities for the upgrading of the weapons platforms.
- **Modernising Ordnance Factories Board:** Over the decades, ordnance factories have been the backbone of indigenous supplies to India's armed forces, from weapons systems to spares, ammunition and auxiliaries.  
Their structure, work culture and the product range now need to be responsive to technology and quality demands of modern armed forces.

- **Overhauling of Existing Regulations and Practices:** A long-term integrated perspective plan of the requirements of the armed forces should give the industry a clear picture of future requirements.

**The next Defence Procurement Procedure** should incorporate guidelines to promote forward-looking strategic partnerships between Indian and foreign companies, with a view to achieving indigenisation over a period of time for even sophisticated platforms.

- **Promoting Defence Exports:** Investment, Indian or foreign, will be viable when the door to defence exports is promoted with a transparent policy.
- **Resolving Conflict of Interest:** The role of **Defence Research and Development Organisation (DRDO)** as the government's sole adviser, developer and evaluator of technologies creates a conflict of interest for entry of private players.

Thus, the role of DRDO should be revised, in order to give private industry a level playing field for developing defence technologies.

### **Defence Sector Reforms Under Atma Nirbhar Abhiyan**

- **Revision of FDI Limit:** The FDI limit in defence manufacturing under automatic route is raised from 49% to 74%.
- **Project Management Unit (PMU):** The government is expected to begin time-bound defence procurement and faster decision making by setting up a Project Management Unit (for contract management purposes).
- **Reduction in Defence Import Bill:** The government will notify a list of weapons/platforms banned for imports and thus such items can only be purchased from the domestic market.

**Separate budget provision** for domestic capital procurement.

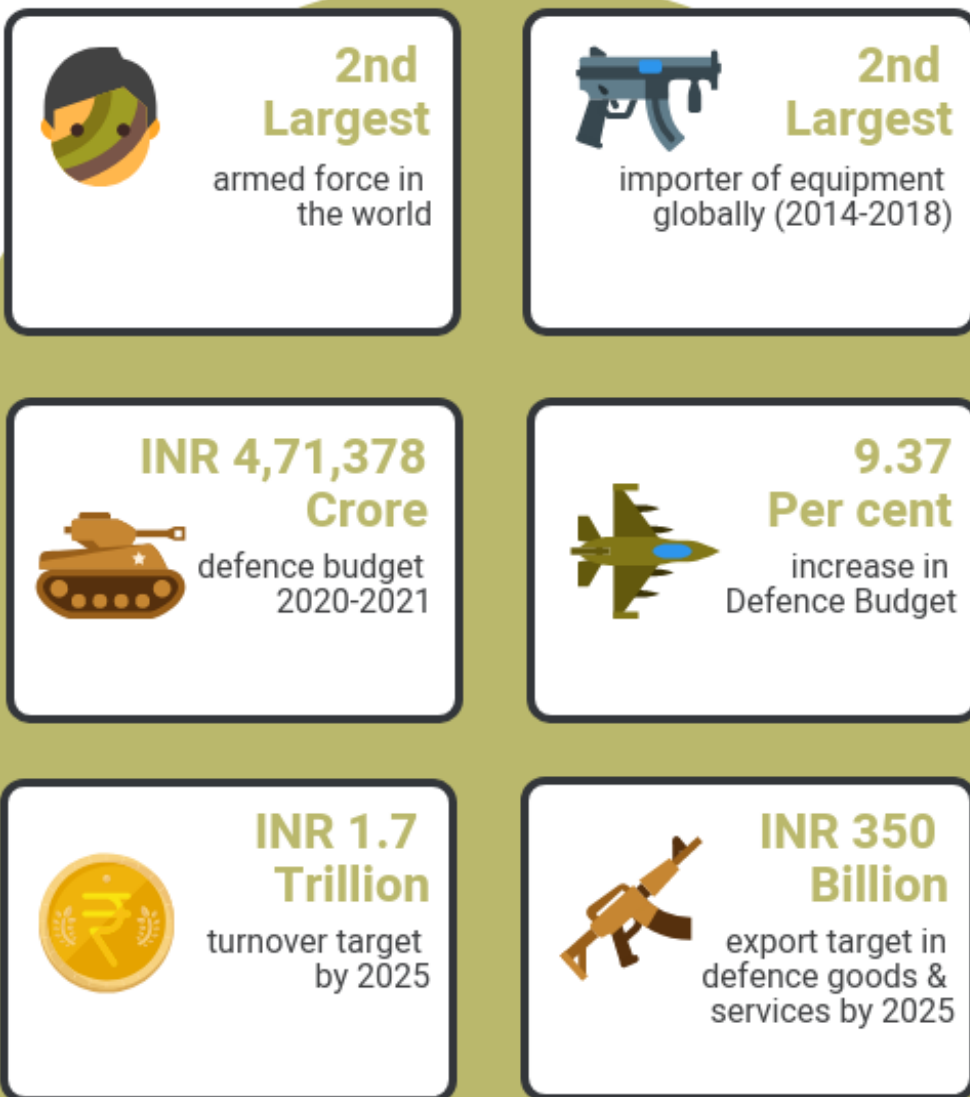
- **Corporatisation of the Ordnance Factory Board:** It will include a public listing of some units, ensuring a more efficient interface of the manufacturer with the designer and end-user.

## **Conclusion**

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Self-reliance in defence manufacturing is a crucial component of effective defence capability and to maintain national sovereignty and achieve military superiority. The attainment of this will ensure strategic independence, cost-effective defence equipment and may lead to saving on defence import bill, which can subsequently finance the physical and social infrastructure.

# Indian Defence Sector At a Glance



Overall defence production in India has increased from **USD 6.4 billion** in 2013-2014 to **USD 11.4 billion** in 2018-2019

## ***Drishti Mains Question***

“Self-reliance in defence manufacturing is a crucial component of effective defence capability and to maintain national sovereignty and achieve military superiority.” Analyse the statement in the context of defence manufacturing in India.



Watch Video At:

<https://youtu.be/eZuoNjQZdj0>

This editorial is based on **“Grasping the defence self-reliance nettle”** from The Hindu published on May 21st, 2020. Now watch this on our Youtube channel.