



## India's Strategic Leap in Defense Exports

*This editorial is based on "[India's defense exports and humanitarian law](#)" which was published in The Hindu on 24/09/2024. The article brings into picture the legal and ethical gaps in India's defense exports, highlighting the absence of International Humanitarian Law (IHL) compliance reviews. It emphasizes the need for comprehensive legislation to ensure responsible arms exports and align India's defense ambitions with global standards.*

**For Prelims:** [India's Defense sector](#), [Supreme Court](#), [BrahMos missiles](#), [Defence Production and Export Promotion Policy](#), [Innovations for Defence Excellence](#), [Defence Research and Development Organisation](#), [Advanced Light Helicopter](#), [Defence Procurement Procedure](#).

**For Mains:** Growth Drivers of India's Defense Exports, Major Issues Related to India's Defence Sector.

India's growing [defense sector](#), driven by **indigenization and self-reliance**, has thrust the nation into the **global arms market**, raising important legal and ethical issues. The [Supreme Court's](#) dismissal of a case **against arms exports to Israel**, despite allegations of war crimes, exposed a gap in India's legal framework, as there is **no clear requirement to assess the International Humanitarian Law (IHL) compliance** of recipient nations. Unlike countries like the **Netherlands and the UK**, India's current regulations, including the **Foreign Trade Act**, lack provisions for IHL reviews, raising concerns about its commitment to international law.

As India aspires to be a major arms exporter, establishing comprehensive legislation that mandates IHL compliance reviews would not only safeguard India's reputation but also **support global efforts to prevent the misuse of weapons**. Clear guidelines for defense manufacturers would further ensure ethical standards in the indigenization process, aligning India's defense ambitions with its international obligations.

### What is the Current Status of India's Defense Exports?

- **Recent Performance:** In the first quarter of **FY 2024-25** (April-June 2024), India's defense exports reached **₹6,915 crore**, marking a substantial **78% increase** compared to ₹3,885 crore during the same period in **FY 2023-24**.
- **Growth Trajectory:** India's defense exports have **grown more than 12 times** since FY 2017 and an impressive 31-fold since FY 2013-14.
  - This rapid expansion **positions India as a rising player in the global arms market**.
  - India now ranks among the **top 25 arms-exporting nations**, supplying defense products to approximately 85 countries.
- **Export Products:** India's export portfolio covers a diverse range of defense equipment, including aircraft like the **Dornier-228**, **artillery guns**, [BrahMos missiles](#), **PINAKA rockets** and launchers, radars, simulators, armored vehicles, personal protective gear, and surveillance systems.

## What are the Growth Drivers of India's Defense Exports?

- **Policy Reforms and Government Initiatives:** The Indian government has implemented significant policy reforms to boost defense exports, including the introduction of the [Defence Production and Export Promotion Policy \(DPEPP\) 2020](#).
  - This policy aims to achieve a turnover of **USD 25 billion** in defense manufacturing by **2025**, including exports of **USD 5 billion**.
  - The government has also streamlined licensing procedures, increased **FDI limits to 74% under the automatic route**, and introduced schemes like '[Make in India](#)' and 'Atma Nirbhar Bharat' to promote indigenous manufacturing.
  - Record **75% of the defense capital procurement budget** was earmarked for domestic industry in FY 2023-24, up from **68% in 2022-23**.
  - Domestic defense production has also seen a strong performance, reaching **₹1.27 trillion in FY 2024**.
  - Recently, the Ministry of Defence has notified the **fifth Positive Indigenisation List (PIL)** consisting of **346 items**, further boosting domestic defense manufacturing.
  - The **Standard Operating Procedure (SOP) for the Defence Export Promotion** Scheme in India establishes guidelines and procedures for certification and testing of defense exports
- **Increased Private Sector Participation:** The opening up of the defense sector to private players has been a significant driver of export growth.
  - The government has encouraged private sector participation through various measures, including the [Innovations for Defence Excellence \(iDEX\) initiative](#).
  - As a result, as against **215 Defence licenses issued till 2014**, the number of **Defense licenses issued went up to 440 by March 2019**.
  - Notable examples include **Tata Advanced Systems Limited's export of aerospace components to Boeing**.
    - This increased participation has led to a more diverse and competitive defense manufacturing ecosystem, driving innovation and export growth.
  - India has also established two Defence Industrial Corridors - **one in Uttar Pradesh and another in Tamil Nadu**.
- **Focus on Research and Development:** India has significantly **increased its focus on R&D in the defense sector**, leading to the development of advanced indigenous technologies that are attractive in the global market.
  - The [Defence Research and Development Organisation \(DRDO\)](#) has been at the forefront of this effort, with its budget of **Rs 23,855 crore in FY 2024-25**
  - This investment has resulted in the development of exportable products like the **BrahMos missile system, Akash air defense system, and the [Advanced Light Helicopter \(ALH\)](#)**.
    - For example, in January 2022, the **Philippines** concluded a \$375 million deal with India for three batteries of shore-based anti-ship variant of the BrahMos supersonic cruise missiles
- **Strategic Partnerships and Government-to-Government Agreements:** India has been actively **pursuing strategic partnerships and G2G agreements to boost defense exports**.
  - These agreements provide a framework for collaboration in defense production and export to third countries.
  - A prime example is the **India-Japan Acquisition and Cross-Servicing Agreement (ACSA) signed in 2020**, which facilitates reciprocal provision of supplies and services between the armed forces of the two countries.
  - Similarly, India has defense cooperation agreements with **over 53 countries**., opening up new markets for Indian defense products.
- **Competitive Pricing and Quality:** Indian defense products have gained a reputation for **offering good quality at competitive prices**, making them attractive to many developing and middle-income countries.
  - This is partly **due to lower manufacturing costs in India** and the focus on developing cost-effective solutions.
  - For instance, the Indian-made Akash surface-to-air missile system is priced **significantly lower than comparable systems from other countries**, making it an attractive option

for countries like **Armenia**.

- **Offset Policies and Technology Transfer: India's offset policy**, which requires foreign defense companies to invest a **portion of their contract value in India**, has played a crucial role in promoting exports.
  - This policy has led to the establishment of **joint ventures and technology transfers**, enhancing India's manufacturing capabilities and export potential.
  - For example, the **Tata-Lockheed Martin joint venture to produce F-16 wing sets in India** has not only served the offset requirements but also positioned India as a part of the global supply chain.

## What are the Major Issues Related to India's Defence Sector?

- **Dependence on Imports:** Despite recent strides in indigenous production, **India remains one of the world's largest arms importers**, highlighting a persistent dependence on foreign technology and equipment.
  - According to the Stockholm International Peace Research Institute (SIPRI), between 2019 and 2023, the country accounted for a significant **9.8% of the total global arms imports**.
  - For instance, major import deals like the **USD 5.43 billion** contract for **S-400 air defense systems** from Russia in **2018** underscore this issue.
    - This dependence **not only strains foreign exchange reserves** but also poses potential risks to national security in times of geopolitical tensions.
- **Slow Procurement Process:** India's defense procurement process is often criticized for being **lengthy, complex, and bureaucratic**, leading to delays in modernization efforts.
  - The **Defence Procurement Procedure (DPP)**, despite periodic revisions, still involves multiple stages.
  - A notable example is the procurement of **126 Medium Multi-Role Combat Aircraft (MMRCA)**, which began in 2007 but was **eventually scrapped in 2015** due to complications.
- **Limited Private Sector Participation:** While private sector participation in defense manufacturing has increased, it still faces significant challenges.
  - According to data from the Department of Defence Production, private sector companies contributed **only 22% in FY24**.
  - Barriers include **high entry costs, long gestation periods for returns on investment, and preference often given to public sector units** for major contracts.
  - The dominance of **Defense Public Sector Undertakings (DPSUs)** in major projects continues to limit opportunities for private players.
- **Inadequate Research and Development:** Despite increased budget allocations, India's defense R&D still lags behind global leaders.
  - India's defense **spending trajectory in 2023** reflected a 4.2% increase, yet it continues to lag behind major global powers like the **US, China, and Russia** in absolute terms.
  - This underfunding has led to **delays and cost overruns in critical projects**.
  - The **Kaveri engine**, a project conceived in the 1980s to propel India's indigenous **Light Combat Aircraft (LCA) Tejas**, remains unavailable even after decades of development.
- **Technology Gaps:** India faces significant technology gaps in critical areas such as **engine development, advanced materials**, and high-end electronics for defense applications.
  - This is evident in the continued reliance on foreign suppliers for key components.
  - For example, despite developing the Tejas fighter jet indigenously, India still imports its **engine (GE F404) from the United States**.
  - These technology gaps not only affect self-reliance but also limit India's ability to export advanced defense systems.
- **Offset Policy Implementation Challenges:** While the offset policy was designed to boost domestic defense manufacturing and technology absorption, its implementation has faced significant challenges.
  - The **Comptroller and Auditor General (CAG)** has reported poor performance of India's Defense Offset Policy.
    - Of the **46 offset contracts** valued at **₹66,427 crore (2005-2018)**, only **₹11,396 crore has been claimed**.
- **Lack of Robust Arms Export Control Legislation:** India's arms export control framework,

primarily governed by the [Foreign Trade Act 1992](#) and the **Weapons of Mass Destruction Act 2005**, lacks specific provisions for assessing the human rights records or IHL compliance of recipient countries.

- This legislative gap was highlighted when the **Supreme Court dismissed a PIL seeking** to stop defense exports to Israel amid allegations of war crimes in Gaza.
- India's laws do not mandate a comprehensive review of the end-use of exported arms.
  - This absence of stringent checks could **potentially implicate India in international law violations** and damage its reputation as a responsible arms exporter.

## What Measures can India Export to Revamp its Defence Sector?

- **Enhance International Collaborations and Joint Ventures:** India should actively **pursue more strategic partnerships and joint ventures** with leading global defense manufacturers to access **cutting-edge technologies** and expand its export potential.
  - This could involve **setting up co-production facilities in India**, technology transfer agreements, and collaborative R&D projects.
  - Such partnerships would not only boost India's technological capabilities but also **provide access to established global supply chains and markets**.
  - **A prime example is the recent agreement between Hindustan Aeronautics Limited (HAL) and General Electric (GE) to co-produce F414 engines in India**, which could potentially lead to exports of these engines or aircraft equipped with them.
- **Establish a Robust Export Financing Mechanism:** To compete effectively in the global arms market, India needs to develop a **comprehensive export financing mechanism specifically tailored for defense exports**.
  - This could include **government-backed loan guarantees**, competitive credit lines, and insurance coverage for political and commercial risks.
  - Such a mechanism **would make Indian defense products more attractive to potential buyers**, especially in developing countries.
- **Implement a Comprehensive IHL Compliance Framework:** India should establish a **robust International Humanitarian Law (IHL) compliance** framework for its arms exports.
  - This would involve creating a **dedicated body to assess the human rights records** and IHL compliance of potential recipient countries before approving arms exports.
  - The framework should include **regular monitoring of end-use and provisions** for suspending or canceling contracts in case of violations.
  - Implementing such a framework would **not only align India with international best practices** but also **enhance its reputation as a responsible arms exporter**.
- **Invest in Niche Technologies and Indigenous Innovation:** To carve out a unique position in the global arms market, India should **focus on developing niche technologies and promoting indigenous innovation**.
  - This could involve increased funding for defense startups, establishing defense innovation hubs, and incentivizing private sector R&D in emerging technologies like **AI, quantum computing, and hypersonic systems**.
  - For example, **India's success with the BrahMos supersonic cruise missile**, developed jointly with Russia, demonstrates the potential of focusing on advanced niche products.
- **Streamline Defense Production and Export Processes:** India needs to significantly streamline its defense **production and export processes** to enhance efficiency and competitiveness.
  - This could involve creating a **single-window clearance system for defense exports**, simplifying licensing procedures, and **establishing dedicated export promotion cells** within defense PSUs and major private sector companies.
  - Additionally, the government should work on reducing the time taken for testing and certification of defense products meant for export.
  - A successful example of streamlining defense acquisition procedures, which have reduced procurement timelines. Similar efficiency improvements in the export process could significantly boost India's competitiveness in the global market.
- **Develop a Strong Offset Management System:** India should revamp its offset policy and develop a robust offset management system to leverage defense imports for boosting exports.
  - This could involve creating a dedicated offset management agency, developing a transparent online platform for offset opportunities, and aligning offset requirements with

export-oriented projects.

- The system should focus on technology transfer and co-development projects that can enhance India's export capabilities. For instance, India could take inspiration from Israel's successful offset program, which has significantly contributed to its defense industrial base and export capabilities.

- **Establish Regional Service and Maintenance Hubs:** To **enhance the attractiveness of Indian defense exports**, the country should establish regional service and maintenance hubs in strategic locations.
  - These hubs would provide **after-sales support, maintenance, and upgrades** for Indian defense equipment sold to foreign countries.
  - This approach would not only generate additional revenue but also build long-term relationships with customer countries.
  - For example, **India could set up such hubs in friendly nations like Vietnam or the UAE**, which could serve as centers for maintaining and upgrading Indian-made equipment in Southeast Asia and the Middle East respectively.

## Conclusion

As India strives to become a significant player in the global defense market, addressing legal and ethical gaps, particularly **concerning International Humanitarian Law (IHL) compliance**, is crucial. By implementing comprehensive legislation and fostering innovation, India can enhance its reputation as a responsible arms exporter while ensuring that its defense ambitions align with global standards. This strategic approach will not **only bolster national security but also reinforce India's position as a leader in the international defense landscape**.

### **Drishti Mains Question:**

India has been actively pursuing its goal of becoming a major defense exporter in recent years. Analyze the factors that have contributed to this shift, the challenges faced in scaling up defense exports

## **UPSC Civil Services Examination, Previous Year Questions (PYQs)**

### **Prelims**

**Q1. 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)**

**Q2. 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)**

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**Mains**

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

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

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