

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE
RAJYA SABHA
UNSTARRED QUESTION NO. 2766
TO BE ANSWERED ON 28TH MARCH, 2022

EXPORT OF DEFENCE PRODUCTS

2766. SHRI K.C. VENUGOPAL:

Will the Minister of Defence be pleased to state:

- (a) whether it is a fact that a crucial percentage of budget estimate is the part of expenditure on foreign contracts under capital acquisition;
- (b) if so, the details thereof; and
- (c) the steps Government is taking so that Ordnance Factories, DPSUs, DRDO and private industries work in coordination to produce not only import substitute products but also expand their export potential so that the country becomes an exporter of defence products?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(SHRI AJAY BHATT)

(a) & (b): No, Sir. Details of expenditure on Foreign Contracts under Capital Acquisition incurred by the Defence Services in the last three years are given below:-

(Rs. In Crore)

Year	Total Expenditure on Capital Acquisition	Expenditure on Foreign Contracts	Percentage of Foreign Contract expenditure out of total Capital Acquisition expenditure
2018-19	75,920.74	36,957.06	48.68
2019-20	91,077.53	38,156.83	41.89
2020-21	1,18,860.52	42,786.54	36.00

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(c): The steps taken by Government for promoting indigenous production and to expand the export potentials are detailed below:-

1. The Government liberalized FDI policy on 17.09.2020 vide press Note 4 of 2020 Series increasing the FDI limit in defence sector. As per the policy, foreign investment up to 74% has been allowed under automatic route and beyond 74% through Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
2. A Defence Product List (DPL) giving items that require Industrial License for manufacture in Defence sector was notified by the Government in 2014. To promote manufacturing in Defence sector, the DPL has been rationalized and manufacture of many parts and components are de-licensed. This has paved way for 100% FDI through automatic route for these items.
3. Reforms in Offset policy have been included in DAP - 2020, with thrust on attracting investment and Transfer of Technology for Defence manufacturing, by assigning higher multipliers to them.
4. After opening up of the Defence Industry Sector for private Sector participation in 2001, 351 Indian Companies have been issued 568 Industrial Licenses for manufacture of licensable defence items till February 2022.
5. Defence Procurement Procedure (DPP)-2016 was revised as Defence Acquisition Procedure (DAP) - 2020, which is driven by the tenets of Defence Reforms announced as part of 'Aatmanirbhar Bharat Abhiyan'.
6. In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}' category has been accorded top most priority for procurement of capital equipment. The 'Make' Procedure of capital procurement has been simplified.
7. There is a provision for funding up to 70% of development cost by the Government to Indian industry under Make-I category, whereas Make-II procedure provides assurance to the industry for procurement. In addition, there are specific preferences for MSMEs under the 'Make' procedure.
8. Government has established two Defence Industrial Corridors (DICs), one each in Uttar Pradesh and Tamil Nadu to attract total investments of Rs 20,000 Crores by the year 2024-25.
9. A Scheme for scaling up iDEX has been launched in May 2021 with a budgetary support of Rs. 498.80 crore for the next five years i.e. from 2021-22 to 2025-26. The Scheme aims at providing financial support to nearly 300 Start-ups/ MSMEs/ individual innovators and 20 partner incubators under the Defence Innovation Organisation (DIO) framework.

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10. Ministry of Defence notified two 'Positive Indigenisation Lists (PILs)' with total 209 items on 28.08.2020 and 31.05.2021 respectively for which there would be an embargo on the import beyond the timeline indicated against each of them, offering a great opportunity to the Indian defence industry to manufacture these items using their own design and development capabilities. Subsequently, in respect of Defence Public Sector Undertakings (DPSUs), another PIL of 2851 items has been notified for indigenisation. Moreover, Government has also announced 18 major platforms for Industry led Design and Development. Recently, Government has also announced 107 Major Line Replacement Units/Sub-systems for Indigenisation.
11. An indigenization portal, namely SRIJAN, has been launched in August 2020 for DPSUs/Services with an industry interface to provide development support to MSMEs/Start-ups/Industry for import substitution. So far, more than 16,600 Defence items, which were earlier imported, have been displayed on the portal. Private industry has expressed interest in indigenising more than 3,500 items. Out of them, 342 items have already been indigenised.
12. The Director General of Foreign Trade (DGFT) vide Public Notice No. 4/2015-20 dated 24th April, 2017 has delegated its authority and notified Department of Defence Production(DDP) as the Licensing Authority for export items in Category 6 of SCOMET. The export of items specified in Category 6 (Munitions List) except those covered under Notes 2 & 3 of Commodity Identification Note (CIN) of the SCOMET is now governed by the Standard Operating Procedure issued by the Department of Defence Production (DDP), Ministry of Defence.
13. Standard Operating Procedure (SOP) for the export of munitions list items have been simplified and placed on the website of the DDP.
14. A completely end-to-end online portal for receiving and processing export authorisation permission has been developed. The applications submitted on this portal are digitally signed and the authorisation are also issued digitally, at faster pace.
15. In repeat orders of same product to the same entity, consultation process has been done away with and permission is issued immediately. For the repeat order of same product to different entity, the consultation earlier done with all stakeholders is now limited only with MEA.
16. In Intra-Company business (which is especially relevant for outsourcing of work by defence related parent company abroad to its subsidiary in India), the earlier requirement of getting End User Certificate (EUC) from the Government of importing country has been done away with and 'Buying' Company is authorized to issue the EUC.

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17. The requirement of Government signed EUC in cases of providing engineering services (ToT related to Munitions List) to Wassenaar Arrangement (WA) Countries has been dispensed with.
18. Legitimate export of systems/platforms for civil end use to WA Member countries is considered subject to submission of EUC or import certificate or equivalent document issued by the Government of importing country.
19. The legitimate export of the parts and components of small arms and body armour for civil use are now being permitted after prior consultation with MEA.
20. For export of items for exhibition purposes, the requirement of consultation with stakeholders has been done away with (except for select countries).
21. Powers have been delegated to DRDO and CMDs of DPSUs for exploring export opportunities and participation in global tenders.
22. New simplified End User Certificate Format for Parts & Components has been provided in SOP.
23. Validity of Export Authorization for export of parts & components has been increased from 02 years to date of completion of order/component whichever is later.
24. A new provision for re-exporting parts and components for undertaking repair or rework to provide replacement for a component under warranty obligation is inserted in the SOP as a sub-classification of repeat orders.
25. MHA vide Notification dated 1.11.2018 has delegated its powers to Department of Defence Production to issue export license under Arms Rules 2016 in Form X-A, for parts & components of small arms. With this the Department of Defence Production becomes the single point of contact for exporter for export of parts and components of Small Arms & Ammunitions.
26. The Government has notified the Open General Export License (OGEL) - one time export license, which permits the industry to export specified items to specified destinations, enumerated in the OGEL, without seeking export authorisation during the validity of the OGEL. OGEL has been integrated with end to end online Portal.
27. Scheme for Promotion of Defence Exports has been notified to provide an opportunity to the prospective exporters an option to get their product certified by the Govt. and provides access to the testing infrastructure of Ministry of Defence for initial validation of the product and its subsequent field trials. The certificate can be produced by the prospective exporter for marketing their products suitably in the global market.

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28. A separate Cell has been formed in the Department of Defence Production to co-ordinate and follow up on export related action including enquiries received from various countries, sharing the leads with private sector & public sector companies and facilitate exports.
29. In order to boost defence exports, regular webinars are being organized with Friendly Foreign Countries (FFCs) under the aegis of DDP, MoD through Indian Missions abroad and Industry Associations with active participation from Indian Defence Industries.
30. A Scheme to provide financial support to Defence Attaches for taking up actions for promoting exports of India made defence products both of public and private sector in the countries to which they are attached has been notified.
31. To enhance functional autonomy, efficiency and unleash new growth potential and innovation in Ordnance Factories, the Government has corporatized 41 Ordnance Factories into seven Defence Public Sector Units (DPSUs), 100% Government owned corporate entity (ies).
32. DRDO has identified a list of products with potential for exports. This information in the form of “Export Compendium” is hosted on DRDO website. Indian Industries utilize the information provided, to initiate dialogue for export to friendly foreign countries.
33. DRDO supported industries by providing technical hand holding to enable the export by Indian industries.
