

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO. 607
TO BE ANSWERED ON 04TH FEBRUARY, 2022

INDIGENOUS MANUFACTURING IN DEFENCE SECTOR

607. SHRI NATARAJAN P.R.:

Will the Minister of DEFENCE
be pleased to state:

- (a) whether the Government has taken any policy decision to promote indigenous manufacturing in defence sector for reducing the import bill;
- (b) if so, the details thereof;
- (c) the details regarding percentage of private investment and cap on Foreign Direct Investment (FDI) in the defence sector;
- (d) whether the Government has undertaken any analysis on its impact on the safety of internal security of our nation; and
- (e) if so, the details thereof?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(SHRI AJAY BHATT)

(a) & (b): The Government has taken several policy initiatives in past few years and brought reforms to encourage indigenous design, development and manufacture of defence equipment in the country, thereby reducing dependence on imports in coming years. These initiatives, inter-alia, include according priority to procurement of capital items from domestic sources under Defence Acquisition Procedure (DAP)-2020; Notification of two 'Positive Indigenisation Lists' of total 209 items of Services and another 'Positive Indigenisation List' of total 2851 items of DPSUs, for which there would be an embargo on the import beyond the timelines indicated against them; Simplification of Industrial licensing process with longer validity period;

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Liberalisation of FDI policy allowing 74% FDI under automatic route; Simplification of Make Procedure; Launch of Innovations for Defence Excellence (iDEX) scheme involving startups & MSMEs; Implementation of “Public Procurement (Preference to Make in India), Order 2017;” Launch of the indigenization portal namely SRIJAN to facilitate indigenisation by Indian Industry including MSMEs; Reforms in Offset policy with thrust on attracting investment and Transfer of Technology for Defence manufacturing by assigning higher multipliers; Establishment of two Defence Industrial Corridors one each in Uttar Pradesh and Tamil Nadu.

(c) to (e): Defence Industry sector was opened up in May 2001 upto 100% for Indian private sector participation. The Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route wherever it is likely to result in access to modern technology. As per the provisions of FDI policy in Defence sector, foreign investment in the sector is subject to security clearance by the Ministry of Home Affairs. Further, foreign Investments in the Defence Sector are also subject to scrutiny on grounds of National Security and Government reserves the right to review any foreign investment in the Defence Sector that affects or may affect national security.
