

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPARTMENT OF DEFENCE  
**LOK SABHA**  
**STARRED QUESTION NO. 198**  
TO BE ANSWERED ON 29<sup>th</sup> July, 2022

**EXPORT AND IMPORT OF DEFENCE EQUIPMENT**

\*198. SHRI ASADUDDIN OWAISI:

Will the Minister of DEFENCE be pleased to state:

- (a) the total expenditure incurred by the armed forces for import of equipment and machinery during the last three years;
- (b) whether defence export has also increased during the last three years;
- (c) if so, the details thereof, year-wise;
- (d) the countries which are main importers of Indian defence equipment;
- (e) whether private sector is playing key role in increasing defence export; and
- (f) if so, the details thereof and the steps taken or being taken by the Government to encourage the private sector in defence production?

A N S W E R

MINISTER OF DEFENCE

(SHRI RAJNATH SINGH)

(a) to (f): A statement is laid on the Table of the House.

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (f) OF THE LOK SABHA STARRED QUESTION No. 198 FOR ANSWER ON 29.07.2022 REGARDING 'EXPORT AND IMPORT OF DEFENCE EQUIPMENT'.**

(a): The details of Capital expenditure incurred by the Armed Forces for import of equipment and machinery during the last three years vis-à-vis percentage of total procurement in this category are as below:-

<b>Year</b>	<b>Capital Expenditure on Import Amount (in crore)</b>	<b>% age of Capital Procurement</b>
2019-20	38,156.83	41.89
2020-21	42,786.54	36.00
2021-22*	39,650.99	35.28

\* March Final Figures

(b) to (f): Many reforms/steps have been taken by Ministry of Defence to enhance Defence Export in the recent times, the details are attached as Annexure-I. Because of these efforts, Defence exports have grown eight fold in the last six years, i.e. from Rs. 1521 Crore in 2016-17 to Rs. 12815 Crore in 2021-22. The major contribution in this growth has come from the private sector. During 2021-22, the private sector has contributed almost 70% of the total exports. The defence exports from private sector during the last six years are as under:-

(Rs. in Crores)

<b>Year</b>	<b>Total Export value</b>	<b>Contribution of Private Sector</b>
2016-17	1521	194
2017-18	4682	3163
2018-19	10746	9813
2019-20	9116	8008
2020-21	8435	7271
2021-22	12815	8800

About 80 countries import Indian defence equipment, sub-systems, parts & components. However, the names of the countries cannot be divulged due to strategic reasons.

A statement highlighting such actions is attached as Annexure-II.

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**ANNEXURE-I REFERRED TO IN REPLY TO PARTS (b) to (f) OF THE LOK SABHA STARRED QUESTION No. 198 FOR ANSWER ON 29.07.2022 REGARDING 'EXPORT AND IMPORT OF DEFENCE EQUIPMENT'.**

**Measures Taken By The Government To Promote Defence Exports**

1. Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) Category 6 titled "Munitions List" that was hitherto "Reserved" has been populated and Military Stores list notified vide Notification No.115(RE-2013)/2009-2014 dated 13th March 2015 stands rescinded.
2. 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.
3. Standard Operating Procedure (SOP) for the export of munitions list items have been simplified and placed on the website of the DDP.
4. 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.
5. 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.
6. 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.
7. 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.
8. The legitimate export of the parts and components for civil use are now being permitted after prior consultation with MEA.
9. Cases pertaining to grant of Export Authorisation for participation in Exhibition, consultation with stakeholders will be undertaken if the items of export are lethal in nature, consultation with MEA alone would be carried out for export to negative list of countries.

10. Export of complete systems (appendix-II items) as SAMPLE for participation in tender shall be processed without consultation of Stakeholders, provided that the exporter holds a valid License for manufacturing the item of export.
11. Cases pertaining to export of Items to OEM, imported for participation in demo/display/exhibitions/tenders/RFP/ RFQ/NIT in India shall be processed without stakeholder consultation.
12. Powers have been delegated to DRDO and CMDs of DPSUs for exploring export opportunities and participation in global tenders.
13. The End User Certificate format has been revised to cater to the modification and replication aspect of exported items and to harmonize with Wassenaar Arrangement (WA) Guidelines which prescribes greater degree of scrutiny for goods and technologies which are more sensitive in nature. The revised EUC formats have been notified on defenceexim portal.
14. 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.
15. 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.
16. MHA vide Notification dated 1.11.2018 has delegated its powers to Department of Defence of 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.
17. The Government has notified the three Open General Export License (OGEL) for export of Parts and Components/ Transfer of Technology/ Major Platforms and Equipments. OGEL is 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.
18. 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.
19. Export Promotion cell under DDP, MoD has been formed to co-ordinate and follow-up on export related action including enquiries received from various countries and facilitate private sector and public sector companies for export promotion.

20. Two export booklets i.e. “Indian Defence Industry a Global reach” and “Catalogue Indian Defence Industry 2022” for promotion of Indigenous Defence products from both Public and Private sectors have been released during Mar’2022. Soft copies of both the e-booklets have been shared with Indian Defence Attaches posted at Indian Missions abroad and also available on the websites <http://defenceexim.gov.in> and <http://ddpmod.gov.in>. Defence Attaches have also been advised to publish it in local language of their respective countries.
21. 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. This has reduced the average time taken for issuance of export Authorisations considerably from 86 days to 35 days in case of Systems/Sub-systems and from 24 days to 10 days in case of components.
22. Export leads received from various stakeholders are being disseminated to the registered Indian Defence Exporters through online portal. This facility helps the Indian defence exporters to quickly respond to export opportunities arising in other countries. The online portal is being upgraded with a feedback mechanism from Indian Industry for online monitoring/follow-up of the disseminated Export Leads.
23. Defence attaches are tasked to take up actions for promoting exports of indigenous defence products from both public and private sectors in the countries to which they are accredited. Funds are being provided to them under the Defence Attaches funding scheme to undertake multifarious promotion activities.
24. Webinars are being organized with Govt. and Industry Stakeholders in Friendly Foreign Countries (FFCs) through Industry Associations with active participation from Indian Defence Industries. Twenty Seven such webinars have been organized.

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**ANNEXURE-II REFERRED TO IN REPLY TO PARTS (b) to (f) OF THE LOK SABHA STARRED QUESTION No. 198 FOR ANSWER ON 29.07.2022 REGARDING 'EXPORT AND IMPORT OF DEFENCE EQUIPMENT'.**

**Measures Taken To Simplify Procedures To Promote Domestic Defence Manufacturing**

- (i) 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.
- (ii) The initial validity of industrial licenses under I(D&R) Act, 1951 has been revised to 15 years, further extendable up to 18 years for existing as well as future licenses vide Press Note 10(2015 Series) dated 22.09.2015. Increase in validity of Industrial Licenses has provided sufficient time and space for companies to operate and manufacture without hindrance.
- (iii) 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.
- (iv) After opening up of the Defence Industry Sector for private Sector participation in 2001, 358 Indian Companies have been issued 584 Industrial Licenses for manufacture of licensable defence items till June, 2022.
- (v) Defence Procurement Procedure (DPP) 2016 has been revised as Defence Acquisition Procedure (DAP) 2020 aiming to provide the highest degree of probity, public accountability, transparency, fair competition and a level-playing field for Indian Private Defence Industries.
- (vi) Further, in order to promote indigenous design and development of defence equipment, 'Buy {Indian-IDDMM (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. 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 (Industry funded) provides assurance to the industry for procurement. In addition, there are specific preferences for MSMEs under the 'Make' procedure. A new Buy (Global-Manufacture in India) category has also been added. It incorporates 'manufacture of either the entire/part of the equipment or spares/assemblies/sub-assemblies/Maintenance, Repair and Overhaul (MRO) facility for the equipment, through its subsidiary in India.
- (vii) Ministry of Defence notified three Positive Indigenisation Lists with total 310 items 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.

Further, in an effort to minimize import by DPSUs, DDP/MoD has notified another Positive Indigenisation List of sub-systems / assemblies / sub-assemblies / components of total 2851 items of DPSUs for which there would be embargo on the import beyond the timeline indicated against each of them.

- (viii) 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 21000 Defence items, which were earlier imported, have been displayed on the portal. Private industry has expressed interest in indigenising more than 4700 items.
- (ix) Government has established two Defence Industrial Corridors (DICs), one each in Uttar Pradesh and Tamil Nadu. It has been envisaged to attract total investments of Rs 20,000 Crore in the two Defence Industrial Corridors of Uttar Pradesh and Tamil Nadu by the year 2024-25.
- (x) In May, 2001, the Defence Industry sector, which was hitherto reserved for the public sector, was opened up to 100% for Indian private sector participation, with Foreign Direct Investment (FDI) up to 26% both subject to licensing. Further, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry vide Press Note No. 5 (2016 Series), has allowed FDI under automatic route upto 49% and above 49% through government route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The Government further liberalized FDI policy on 17.09.2020 vide press Note 4 of 2020 Series allowing foreign investment up to 74% under automatic route and beyond 74% upto 100% through Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
- (xi) Till May, 2022 FDI inflows of over Rs. 4760 crores have been reported in the Defence and Aerospace sector. Further, the total FDI inflow in the period from April, 2014 to May, 2022 is over Rs. 3378 crores.
- (xii) 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. Moreover, Rs. 1000 Crore have been earmarked in 2021-22 for procurement under iDEX route.
- (xiii) Ministry has introduced an end-to-end online export authorisation system that has resulted in a marked increase in the number of online export authorisations issued.
- (xiv) Defence Investor Cell (DIC) has been created in February 2018 in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures, and regulatory requirements for investment in the sector. So far, DIC has received and addressed more than 1364 queries.

- (xv) Further, Government has announced important landmark initiatives in Union Budget 2022 – 23.
- a. 68 per cent of the capital procurement budget will be earmarked for domestic industry in 2022-23, up from 58 per cent in 2021-22.
  - b. 25 per cent of defence R&D budget earmarked for Industry led R&D.
  - c. Setting up of an independent nodal umbrella body for meeting wide ranging testing and certification requirements.
- (xiv) Announcement of 18 major platforms for industry led design and development under various routes namely Make-I, Make-II, SPV Model and iDEX would encourage industry to take up new challenges and bring India among top manufacturers of the world.

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