Defence Export Target: Challenges

Why in news?

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- Speaking about the achievements of the government, Defence Minister said he had set a **target of 2 billion dollars in defence exports** by the time its tenure ends.
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- This would mean a six-fold increase over the current level of India's defence exports.
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What is the present scenario? Defence exports have risen from Rs 1,153 crore in FY 2013-14 to Rs 2,059 crore in FY 2015-16.

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How the present export level was achieved?

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1. The Ministry has significantly diluted the requirement of the **No-Objection Certificate (NOC),** making its issuance time-bound. NOC is required for dual-use items. Even then, while only 39 NOCs were issues in FY 2013-14, the number rose to 191 in FY 2015-16.
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2. But the most significant change that has provided an impetus to defence exports has been **the issue of end-user certificate for exporting components.**\n
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    - Under earlier orders, the exporting Indian company had to give a certificate on the purpose of the component, get it signed by the importing foreign company, and countersigned by that country's government.
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    - The cumbersome requirement of a foreign government's countersignature on every equipment meant that Indian companies

were not preferred by foreign importers.
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- The Ministry has now changed the rule, so that only certain critical items, need the foreign government's countersignature in the end-user certificate.
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3. Internally, **the defence public sector units (DPSUs),** which are burdened with domestic orders, have been given a **10% dispensation for exports.**\n
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- Exports from DPSUs were earlier not permitted unless the domestic demand of the armed forces had been fully met.
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- This is meant to create a foothold in foreign markets, leading to supply of spares and greater market dependencies.
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4. Indian **private defence manufacturers have now been added to official defence delegations to foreign countries.**
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What are the challenges?

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- At current levels, where Indian defence exports mainly consist of personal protective equipment, offshore patrol vessels, and spares for helicopters and radars, it is difficult to establish a pattern about target countries or the type of exports — making it **difficult to craft a viable export strategy.**
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- India is not a reputed defence manufacturer producing a wide variety of military platforms. The proven military platforms that are made in India, such as the Su30 fighter or the T90 tank, are **licensed productions with IPR held by foreign defence firms.** India cannot export these platforms.
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- Even in the case of joint production platforms such as the Brahmos missile, built by India and Russia, the approval of the Brahmos board is required for export.
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- Any indigenous military platform will become attractive to a foreign buyer only after it has been tested and inducted into the Indian armed forces, and

its operational performance displayed.
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- The artillery guns being produced now, whether the Dhanush howitzer or Advanced Towed Artillery Gun, will thus be available for export only a few years down the line.
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- Also, the government had **decided against exporting military platforms in service with India** to countries in the neighbourhood.
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- While software codes for export platforms have to be different from the ones in use by Indian armed forces, this to prevent the possibility of sensitive information being made available to India's adversaries.
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Concluding remarks:

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- **The biggest challenge for defence exports is the political leadership itself.** To sell 36 Rafale fighters to India, the French Defence Minister made more than a dozen visits to India.
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- It would appear unlikely that India's politicians and bureaucrats would be able to provide that kind of impetus to exports any time soon.
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- Without a change in mindset and attitude, Parrikar's target of defence exports runs the risk of remaining just a target.
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