

# GOVT ANNOUNCES SLEW OF MEASURES FOR INDIGENIZATION OF DEFENCE PRODUCTION

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FM Nirmala Sitharaman said the government would also put out a list of weapons and platforms that would only be purchased from the domestic industries and not from foreign vendors

The Narendra Modi government on Saturday announced a slew of measures to promote indigenization of defence production under the "Make in India" programme including raising the foreign direct investment caps from the existing 49% to 74% through the automatic route.

For the first time ever, the government would also put out a list of weapons and platforms that would only be purchased from the domestic industries and not from foreign vendors, Finance Minister Nirmala Sitharaman said. This list would be expanded every year in consultation with the armed forces, she said. The government will also make separate budgetary provisions for procuring only Indian made defence items, the minister said.

"We will notify a list of weapons and platforms for ban on their imports and fix deadlines to do it," Sitharaman said, adding this move will improve self-reliance on defence manufacturing. "...Every year this list will be increased," she said.

A third measure that Sitharaman announced was the corporatization of the ordnance factory boards seen as having potential but seen as producing substandard products including shells for artillery. Corporatisation however did not mean privatization, the minister clarified saying that the aim is to make sure that the 41 ordnance factories in India are better managed so that they can be listed on the stock market and people can buy their shares.

"We will work to improve autonomy, accountability and efficiency of OFB by corporatisation and not privatisation," said Sitharaman who has in the past held the portfolio of Defence Minister.

She also said that "weapon trial and testing procedures will also be overhauled" with the general staff qualitative requirement or GSQR -- among the first steps in buying capital equipment that lists why the equipment is needed and its expected quality standards -- made more realistic matching the needs armed forces, the minister said.

Taken together, the reforms are aimed at reducing India's huge defence import bill, Sitharaman said.

According to the Stockholm International Peace Research Institute (SIPRI), the US, China and India were the world's three biggest military spenders in 2019, followed by Russia and Saudi Arabia. The two Asian countries made it to the top three for the first time, SIPRI said in a report last month.

Sitharaman's announcements on Saturday were part of the 20 lakh crore stimulus package for restarting the Indian economy that has been under stringent lockdown since 25 March in a bid to arrest the spread of covid-19 infections.

Welcoming the announcements, Defence Minister Rajnath Singh in a Twitter post said: "The FDI limit in the defence manufacturing under automatic route has now been raised from 49% to 74%."

This decision will unleash the true potential of Indian defence production capabilities through 'Make in India'. The announcements made today will prove to be a Game Changer."

"Corporatisation of the OFB has been the topmost priority of the Govt. The corporatisation will improve the efficiency of our Ordnance supplies & factories," he said in a second post.

Prime minister Modi had in February set a target of \$5 billion in defence exports in next five years for India at the inauguration of the 11th Defence Expo in Lucknow. He had then issued an invitation to private businesses to invest in the country, which he said would realize the twin objectives of handsome returns on investment and making Asia's third largest economy self reliant in defence manufacturing.

India has inaugurated two defence industrial corridors, one in Tamil Nadu and the other in Uttar Pradesh to boost the flagship "Make in India" programme that in turn would attract investment as well as encourage employment generation.

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