



AIR Discussions (August 1st Week)

ALL INDIA RADIO SUMMARY (1 August -7 August, 2020)

SPOTLIGHT (04 August 2020)

Draft Defence Production and Export Promotion Policy 2020

GS-III: Achievements of Indians in science & technology; indigenization of technology and developing new technology.

Introduction:

- The Ministry of Defence (MoD) released a draft Defence Production and Export Promotion Policy 2020 (DPEPP 2020).
- Over the years, transparent and streamlined Procurement Procedures, Production Policies and 'Make in India' initiatives have provided significant stimulus to demand for indigenous products.

INDIAN DEFENCE PRODUCTION & EXPORTS		
YEAR	Defence Production (in crore)	Defence Exports (in crore)
2016-17	₹74,121	₹1,521
2017-18	₹78,817	₹4,682
2018-19	₹80,502	₹10,745
2019-20 (TARGETED)	₹90,000	₹15,000
TARGETED DEFENCE EXPORT FOR 2024: ₹35,000 CRORE		
IANS GRAPHICS		

Key highlights of the Policy:

- **Vision:**
 - To position India amongst the leading countries of the world in defence and aerospace sectors
 - To provide a **focused, structured and significant thrust to defence production capabilities** of the country for self-reliance and exports.
- **Goals and Objectives:**
 - To achieve a turnover of **Rs 1, 75,000 Crores (US\$ 25Bn) including export** of Rs 35,000 Crores (US\$ 5 Billion) in Aerospace and Defence goods and services by **2025**.
 - To develop a dynamic, **robust and competitive Defence industry**, including Aerospace and Naval Shipbuilding industry to cater to the needs of Armed forces with quality products.
 - To **reduce dependence on imports** and take forward "Make in India" initiatives through domestic design and development.
 - To **promote export of defence products** and become part of the global defence value chains.
 - To **create an environment that encourages R&D**, rewards innovation, creates Indian IP ownership and promotes a robust and self-reliant defence industry.



- **Focus areas:**

- 1. Procurement reforms:**

- DPP2020 relies on the emerging dynamism of the Indian industry to build domestic capabilities for designing, developing and manufacturing defence equipment.
- Following strategies are proposed for expanding the domestic defence manufacturing ecosystem:
 - A **negative list of weapons/platforms would be notified with year-wise timelines for placing an embargo on import** of such items from those dates.
 - A **Project Management Unit (PMU)**, with representation from the Services, would be set up to support the acquisition process and facilitate management of the contracts.
 - A **Technology Assessment Cell (TAC)** would be created which would assess all the major systems/platforms.
 - System integrators with Design, Development, production, testing & certification capability and ability to develop and sustain the ecosystem required for the next 25-30 years.
- A comprehensive review and overhaul of the trials and testing procedures would be done to reduce the procurement cycle time.
- Efforts would be made to adopt a family of weapons approach to standardize and optimize inventory and supply chain management.
- All **Acceptances of Necessity (AoNs)** involving procurement from domestic sources would be reviewed for time-bound procurement.
- Efforts would be made to provide the industry greater visibility into the likely opportunities in the defence sector.

- 2. Indigenization and support to MSMEs/startups:**

- An indigenization portal will be developed for DPSUs/OFB/Services with an industry interface to provide development support to MSMEs/Startups/Industry for import substitution.
- **Defence Investor Cell** in the Department of Defence Production will provide handholding to MSMEs, investors and vendors in defence production for resolving issues with Central, State and other authorities.
- Vendor Development would be taken up by OFB/ DPSUs and use of TReDS platform would be mandated for improving their liquidity and timely payments.
- In case of the **critical products and materials** currently being imported, DPSUs/OFB would consider issuing **long-term orders** as feasible to incentivize the domestic industry.

- 3. Investment Promotion**

- Investments would be encouraged to provide specific focus on certain identified segments and technological areas.
- Investments in the aviation sector, which help in co-development and strengthening defence ecosystem, would be facilitated in association with the Ministry of Civil Aviation.



Indian Defence Sector At a Glance



Overall defence production in India has increased from **USD 6.4 billion** in 2013-2014 to **USD 11.4 billion** in 2018-2019

Source: Defence Ministry



NOT ENOUGH BANG FOR THE BUCK

Military expenditure

- India is world's 5th largest military spender after US, China, Russia & Saudi Arabia
- Spent over **\$80 bn** in arms deals over last **15-16 yrs**
- Defence budget 2020-21 is **₹ 3.37 lakh crore**. Another **₹ 1.33 lakh crore** for defence pensions
- Revenue outlay (**65%**) dwarfs capital outlay (**35%**) for modernisation in defence budget

Arms deals

- Second largest arms importer, gets over **60%** of requirements from abroad due to poor domestic defence-industrial base
- Biggest suppliers Russia, Israel, France & US
- Around **65** capital acquisition contracts worth over **₹ 1.5 lakh crore** inked with foreign vendors since 2016-17
- Over **80%** of domestic acquisitions from **five** defence PSUs, **four** shipyards and **41** ordnance factories

Operational hollowness

- Poor long-term planning, haphazard procurements, little tech transfer despite mega deals
- **Army** has critical gaps in artillery, infantry weapons, light helicopters, night-fighting etc
- **IAF** does not have enough fighter jets, mid-air refuellers, AWACS, drones etc
- Navy short of submarines, multi-role helicopters, minesweepers etc
- Maintenance of **15 lakh** armed forces, pay & pensions consume bulk of the expenditure



3.

4. Ease of doing business

- The improvement in the India's ranking in World Bank's 'Ease of Doing Business' (EoDB) report, market size, demographic dividend and availability of diverse skill sets have been acting as a driving force.

5. Optimize resource allocation

- OFB/DPSUs will be mandated to increase productivity, enhance quality, reduce costs and ensure timely execution of orders by optimizing inventory management, greater vendor outsourcing at all levels, improving skill levels and overall project management.

6. Defence Corridors

- The two Defence Corridors set up in **Tamil Nadu and Uttar Pradesh** would be specifically targeted by providing additional support as well as by offering higher multipliers for offset discharge for investments flowing into the Defence Corridors.

7. FDI

- In the current FDI policy for Defence sector, FDI was allowed under automatic route up to 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.



8. Innovation and R&D

- A comprehensive reform of the **productionisation process** would be undertaken to **cut down the 'lab to lines' time** by roping in production partners at early levels by bringing concurrent engineering practices between research and production agencies.
- **Startups Innovations for Defence Excellence (iDEX)** has been operationalized to provide necessary incubation and infrastructure support to the startups in the defence area.
- **Mission Raksha Gyan Shakti** was launched to **promote a greater culture of innovation and technology development** and file a greater number of patents in Defence PSUs and OFB.

9. Defence Public Sector Undertakings (DPSUs)/ Ordnance Factories (OF)

- Ordnance factories will be corporatized to make them competitive and to improve their productivity.
- Disinvestment of DPSUs will be pursued.

10. Quality assurance and testing infrastructure

- The entire process of quality assurance and its time bound delivery would be rationalized and monitored by developing an IT platform with an industry interface.
- The existing testing infrastructure with Defence organizations would be made available for private industry use on equal priority.
- Efforts would be made to create testing infrastructure through **Defence Testing Infrastructure Scheme (DTIS)** by providing assistance to industry to set up common testing facilities.

11. Export promotion

- Defence Attachés have been mandated and are supported to promote export of indigenous defence equipment abroad.
- Domestically manufactured defence products will be promoted through Govt.-to-Govt. agreements and Lines of Credit/Funding.
- **Export Promotion Cell** set up to promote Defence exports through coordinated action to support the Industry would be further strengthened and professionalized.
- **DPSUs and OFB would be mandated to have at least 25% of their revenue** from exports including success fee earned as target by 2025.

12. Governance

- The Department of Defence Production would be the nodal department for coordination on various components of the Defence Production & Export Promotion Policy (DPEPP) 2020 including obtaining approvals of the competent authorities for various schemes, programs and projects outlined in the strategies to achieve the objectives set in this Policy.

Issues and Challenges

- However, some defense experts and analysts said that the DPEPP is high on rhetoric but low on specifics.
- It **disregards financial reality**, which is grimmer now due to the rampant spread of the corona virus that has hit economies worldwide.



- Achieving the \$25 billion target would be possible if the **current capital allocation** of \$18.52 billion for purchasing weapons and platforms is **doubled**.
- The draft policy **fails to provide** “a clear road map and direction for streamlining defense procurement and production.”
- Defense production will only improve if there’s **mutual trust, handholding, active participation and patience in the development process between the private and public sector**.

Conclusion:

- There should also be a willingness from the Indian military to field a larger number of indigenous products and improved bureaucratic processes in the MoD.
- A more productive defense industry in India will depend on how much **money the government can spare for local procurement as well as the availability of material in the domestic market** — two factors that should be a matter of concern, particularly with export targets.
- Military’s arms requirements should **not be held hostage by efforts for indigenization**, especially in situations like the one we had faced with China, there is no alternative to buying equipment, platforms, ammunition from abroad if what is needed is not available in India.

Reference:

<http://newsonair.com/writereaddata/Broadcast/Daily/2020/Aug/Spotlight-News-Analysis-SN-202084212139.mp3>

<https://pib.gov.in/PressReleasePage.aspx?PRID=1643194#:~:text=MoD%20releases%20draft%20Defence%20Production%20and%20Export%20Promotion%20Policy%202020&text=The%20policy%20has%20laid%20out,goods%20and%20services%20by%202025.>

https://www.makeinindia.defence.gov.in/admin/webroot/writereaddata/upload/recentactivity/Draft_DPEPP_03.08.2020.pdf

<https://www.defensenews.com/global/asia-pacific/2020/08/06/india-looks-to-make-25-billion-in-defense-production-by-2025/>

National news

Vidyarthi Vigyan Manthan

Context: India's Dr Harsh Vardhan launches 'Vidyarthi Vigyan Manthan 2020-21'.

About:

- Vidyarthi Vigyan Manthan (VVM) is an initiative of **Vijnana Bharati (VIBHA)**, in collaboration with **Vigyan Prasara**, an autonomous organization under the Department of Science and Technology, Government of India and **National Council of Educational Research and Training (NCERT)**, an institution under the Ministry of Education (earlier known as Ministry of Human Resources and Development).



- VVM is a national program for popularizing science among school students of standard VI to XI, conceptualised to identify the bright minds with a scientific aptitude among the student community.

Reference: <http://newsonair.com/News?title=Dr-Harsh-Vardhan-launches-%26%2339%3bVidyarthi-Vigyan-Manthan-2020-21&id=396275>

Pingali Venkayya

Context: VP M Venkaiah Naidu pays tribute to freedom fighter Pingali Venkayya on his birth anniversary.

Details:

- Pingali Venkayya was a polymath with interests in geology, education, agriculture and languages.
- **Our national flag is a symbol of our sovereignty, great history and culture was designed by him.**

Reference: <http://newsonair.com/News?title=VP-M-Venkaiah-Naidu-pays-tribute-to-freedom-fighter-Pingali-Venkayya-on-his-birth-anniversary&id=396326>

ITER (International Thermonuclear Experimental Reactor)

Context: PM Modi congratulates ITER organization for their hard work & success so far.

More information:

- It is an international **nuclear fusion research and engineering megaproject**, which will be the world's largest magnetic confinement plasma physics experiment.
- It is an **experimental tokamak** nuclear fusion reactor that is being built next to the Cadarache facility in Saint-Paul-lès-Durance, in Provence, southern France.
- The project is **funded and run by seven member entities—the European Union, China, India, Japan, Russia, South Korea and the United States.**

Reference: <http://newsonair.com/News?title=PM-Modi-congratulates-ITER-organization-for-their-hard-work-%26-success-so-far&id=396051>

National Handloom Day

Context: National Handloom Day is being organised by the Ministry of Textiles on a virtual platform.

More information:

- The objective is to generate awareness about the Handloom Industry among the public and its contribution to socio-economic development.
- 7 August was chosen as the National Handloom Day **to commemorate the Swadeshi Movement, which was launched on this day in 1905.**

Reference: <http://newsonair.com/News?title=National-Handloom-Day-being-observed-today&id=396690>

Comptroller and Auditor General of India



Context: Former J&K Lt Guv Girish Chandra Murmu to be new CAG of India

More information:

- The Comptroller and Auditor General of India is an authority, established by **Article 148** of the Constitution of India, which **audits all receipts and expenditure of the Government of India and the state governments, including those of bodies and authorities substantially financed by the government.**
- The CAG is also the head of the Indian Audit and Accounts Department.
- The Comptroller and Auditor-General of India is **appointed by the President of India following a recommendation by the Prime Minister.** On appointment, he/she has to make an oath or affirmation before the President of India.

Reference: <http://newsonair.com/Main-News-Details.aspx?id=396693>

Women Entrepreneurship and Empowerment (WEE) cohort initiative

Context: WEE cohort initiative helps women to take up entrepreneurship as a career option.

More information:

- The Women Entrepreneurship and Empowerment, WEE cohort initiative **helps women ranging from college going students to middle-aged housewives to take up entrepreneurship as a viable, fulfilling career option.**
- It is India's first of its kind initiative to strengthen women's ecosystem at IIT Delhi, supported and sponsored by the **Department of Science and Technology.**
- The cohort was coached and trained by eminent mentors from various fields. Women entrepreneurs from 16 different states across India participated.

Reference: <http://newsonair.com/News?title=WEE-cohort-initiative-helps-women-to-take-up-entrepreneurship-as-career-option&id=396652>

Sahakar Cooptube NCDC Channel

Context: Union Agriculture Minister launches Sahakar Cooptube NCDC Channel.

More information:

- Sahakar Cooptube NCDC Channel, a new initiative by National Cooperative Development Corporation.
- This initiative is a step towards One Nation One Market with the objective for India to become a food factory of the world.

Reference: <http://newsonair.com/News?title=Union-Agriculture-Minister-launches-Sahakar-Cooptube-NCDC-Channel&id=396529>