



# India as an arms exporter: Changing Trends

By Aditi Malhotra

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## Take aways

- **India is currently expanding its arms exports.**
- **The push for arms exports falls under the broader multi-sectoral 'Make in India' initiative launched in 2014.**
- **India is motivated by its desire to boost indigenous defence production and use arms exports to further the aim of defence diplomacy.**
- **Improvements in arms exports will remain limited in the short to medium term, and India will continue to be one of the largest arms importers.**

India has been the world's largest importer of arms since 2011–12. According to the Stockholm International Peace Research Institute (SIPRI), [India accounted for 13 per cent of the world's arms imports](#) between 2012 and 2016. While it tops the ranking as an arms importer, [India ranks 28th \(year 2015–16\) with regard to arms exports](#). Although India has been involved in defence exports for a long time, the volume of its exports remains insignificant. Recently, however, the figures have been rising, thus signifying a new trend.

Developments in the last few years have show-cased India's growing willingness to expand its domestic defence production capacity and even export military hardware to 'friendly foreign countries'.

First, unlike previous decades, India has begun marketing its defence platforms for sales abroad. [Many analysts argue that India is shedding its reluctance towards defence exports](#).

Second, the Indian government has undertaken policy changes that aim to address impediments in India's defence export



process making it more efficient and less bureaucratic.

These changes mark a new turn in India's arms export trends, which deserves more scholarly attention than it has received so far.

### INDIA AS AN ARMS EXPORTER: BACKGROUND

India's track record as an arms exporter bears witness of its limited success. India's minimal success can be attributed to a number of reasons including its "[historical stand of not exporting defence equipment, which can indirectly fuel conflicts](#)." New Delhi is generally known to be cautious about highlighting a 'security' link in its foreign relations and had largely refrained from promoting the idea of defence exports in the past. Moreover, India has had limited indigenous platforms it could offer for exports. This unenviable situation has been further compounded by its bureaucratic defence export procedures.

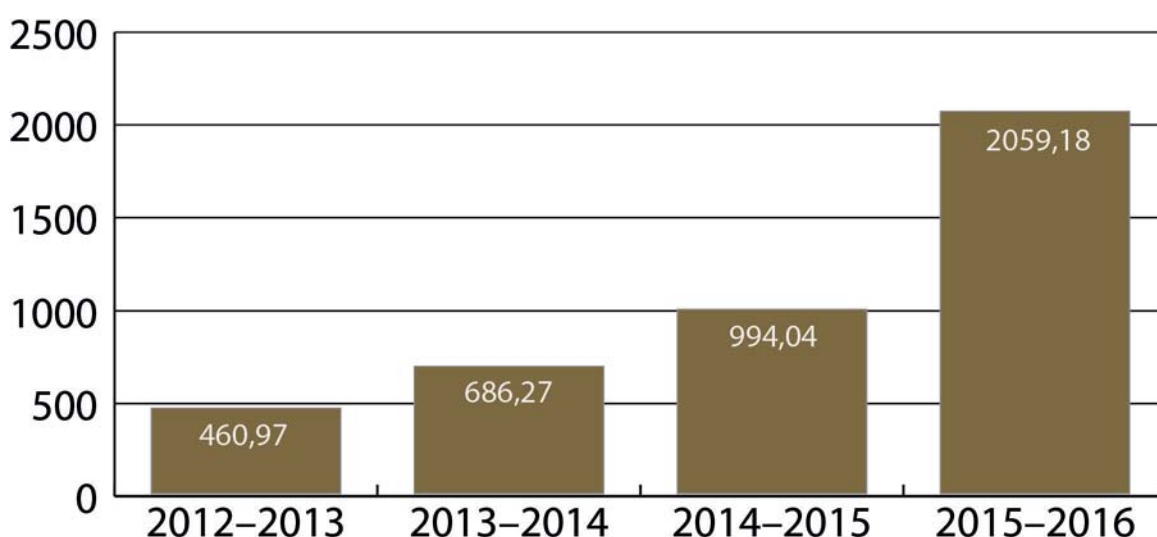
It is worth noting that India's defence exports have been facilitated to a degree by its Soviet/Russia connection. Due to India's decade-long experience in operating,

maintaining and upgrading old Soviet-era platforms, it was (and is) able to deliver spares, sensors, avionics, and offer upgrades to countries that rely on Soviet weapon systems. While this connection has proved beneficial, it can do little to transform India's role into an important arms exporter, especially considering that Russia is itself a leading arms supplier. In the competitive global arms market, Russia and former Soviet states (such as Belarus) have the advantage of providing the same/similar supplies more quickly than India and at lower rates, thus making it more difficult for India to make its own mark or compete efficiently.

### EXPANDING DEFENCE EXPORTS

A major defence export contract signalling a change in Indian thinking was signed in March 2011 when New Delhi agreed to sell its first indigenously designed and built [multi-role offshore patrol vessel \(OPV\) named Barracuda, to Mauritius](#). Following this deal, there have been numerous agreements with various countries. Since 2012, India has seen a rise in defence exports, as can be seen in the chart below.

### INDIAN DEFENCE EXPORTS



India's Defence Export (2012-2016) in INR crores 1 crore=10 million  
(source: Ministry of Defence, Government of India)



As military hardware export rises, [New Delhi intends to export equipment worth USD 2 billion by 2019](#), a figure six times the current level of its arms exports.

In March 2017, [India finalised a deal with Myanmar for sale of indigenously developed lightweight torpedoes worth USD 37.9 million](#).

Currently, [India is in talks with Vietnam for the sale of Akash, a short-range surface-to-air missile](#). In the medium term, India's export is set to be dominated by naval patrol craft, underwater weapon systems, helicopters, avionics, and more importantly, missiles.

The most headline grabbing arms deal is the (possible) sale of the supersonic missile BrahMos (Indo-Russian joint production) to Vietnam and other countries. BrahMos is a supersonic missile with a flight range of 290 kilometers and a speed of upto Mach 3. Although the possibility of India selling BrahMos to Vietnam has been in the news since 2011, no major progress took place. It was periodically claimed that India was reluctant to sell the advanced cruise missile systems to Vietnam as this could antagonise China. Recent developments indicate new momentum. [The spokesperson of BrahMos Aerospace, Alexander Maksichev confirmed that the first ever contract is likely to be signed by late 2017](#). Apart from Vietnam, [countries such as Chile, UAE, and South Africa have also reached an advanced stage in their negotiations for BrahMos](#). The sale of the BrahMos or Akash missile (whichever materialises before) would mark India's first ever export of a missile system.

Needless to say, India's experience with Russia in terms of co-production (for e.g. BrahMos) has been advantageous not only in strengthening its own defence industrial base but also in enhancing its performance as an arms exporter. In view of the current pace of India's defence relations and [joint production agreements with countries such as Israel](#), it is likely that these links may help beef up India's profile as an exporter in the medium or long term.

## POLICY CHANGES TO BOOST DEFENCE EXPORTS

A spurt in India's defence exports can be attributed to a number of steps taken by the Indian government to ease excessive control over arms exports. Indicating its intent to enhance defence exports, in 2014, New Delhi introduced a Strategy for Defence Exports (SDE), which falls under the multi-sectoral 'Make In India' initiative launched by the Indian Prime Minister Narendra Modi. The SDE acted as a corollary to the 2011 Defence Production Policy (DPP), which highlighted the establishment's aim to achieve 'self-reliance' through indigenisation of the defence production sector and, greater participation of private Indian firms. As stated in the SDE document, the 2011 DPP cannot be achieved without defence export, as the industry needs to be ["assured of access to export markets in addition to domestic market for investing in the sector"](#).

Important steps that boosted India's export potential were changes related to issuance of an end-user certificate, and allowing defence public sector undertakings (DPSUs) to export 10 per cent of their yearly production. Previously, in order to expand further, Indian firms involved in defence exports were required 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"](#) for every piece of equipment or parts that were exported. These steps made the process bureaucratic and time-consuming, thus making Indian companies less competitive in the global market. The current policy obviates the need to follow this procedure for all equipment except for specific ["critical items, which use sensitive Indian technology"](#). Furthermore, formerly, DPSUs were not allowed to export equipment unless the demands of the Indian defence forces were fully met. Now, [DPSUs are allowed to export a maximum of 10 per cent of their annual production](#), which may enable Indian firms to fare better in comparison with other global firms. Additional changes include streamlining the



procedure for clearance of export permissions or No Objection Certification (NOC) by making it a time-bound and web-based process.

2014 SDE specifies the creation of two new institutions— Export Promotion Body (EPB) and Defence Export Steering Committee (DESC)— that advise, coordinate and facilitate defence exports. [While the DESC functions as a “senior level functional institution”](#), the EPB acts as an advisory body and is also responsible for coordinating various government schemes, and marketing defence equipment in specific countries.

### DRIVING FACTORS

India's efforts towards enhancing its military exports emanate from a number of factors ranging from its desire for greater indigenisation of the defence sector to employing arms exports as a tool of defence diplomacy. With India's economic, political and military rise, it seeks to expand its influence in Asia and beyond. It also wishes to be accepted as an important regional and global player in the changing world order. [However, to be regarded as a pivotal power, Verbruggen argues that “autarky in arms production is essential.”](#) As India embarks on its geo-strategic ambitions, it considers it essential to ensure its strategic autonomy and develop its own robust domestic defence industrial base. [India has expressed its dissatisfaction with its heavy reliance on arms imports.](#) Successive Indian governments have asserted the need to have greater indigenisation in defence production, albeit with limited success on the ground. With a stronger defence production sector, New Delhi will be able to meet its defence needs without relying on foreign powers, enhance technological advancement, add to its own economic growth, improve the balance of trade and generate employment.

In addition, India's strategy of defence exports forms part of its broader aim of seeking self-reliance and self-sufficiency in the defence sector. [In order to sustain a country's defence industry, it is essential to focus on the economic viability of its products.](#) No

firm can recover its capital costs by focusing solely on the domestic defence market. Therefore, it becomes almost mandatory to look beyond the domestic market and cater for foreign clients. Funds generated through exports can be invested in defence-related research and development, thereby helping to sustain the industry. The Indian defence industry is in dire need for investments in research and development, and requires new customers to ensure that the investments in defence production are financially viable. An amalgamation of these factors motivates the Indian government to prioritise arms exports.

The push for military sales is also driven by geo-strategic factors in the region. India is witnessing the rise of its neighbour China with which it shares a complex equation of conflict and cooperation. At the same time, India is also struggling with its other nuclear-armed neighbour, Pakistan. Given the neighbourhood in which India is situated along with its threat perceptions, New Delhi continually seeks to forge relations with like-minded regional and global countries. Therefore, India, like many countries, leverages military diplomacy in its foreign relations. It is in this context that defence exports play a pivotal role.

Defence exports are set to become a crucial part of India's active defence diplomacy, especially in case of the Indian Ocean Region and Southeast Asia. These trends are evident in India's dealings with Vietnam, Bangladesh, Myanmar, Mauritius, Seychelles etc. New Delhi's enthusiasm to sell equipment to these countries conveys its desire to shape the regional dynamics (especially vis-à-vis China) in a manner that suits its strategic aims and interests in the broader Indo-Pacific region. In order to boost defence procurements from potential clients, India has introduced the practice of offering Lines of Credit (LoC) facility to 'friendly foreign countries'. The most recent credit line include [USD 5 billion to Bangladesh](#), and [USD 500 million to Vietnam](#). India's focus on military diplomacy through arms exports is also corroborated by the fact that





its Export Promotion Body (defence exports advisory body) coordinates and consults with personnel from The Ministry of External Affairs, and armed forces.

### COMPLICATING FACTORS

Despite India's intent to carve out a niche for its arms exports, there are a number of complicating factors, many of which are due to India's relatively stagnant defence industrial base. Apart from its ability to export missiles, naval equipment, and select parts for defence products, there are limited Indian (completely indigenous) military platforms that can be offered on the export market. [Even in the case of Indian-built equipment \(T90 tank, Su-30 fighter aircraft\), the Intellectual Property Rights belong to foreign firms](#), thus making it difficult for New Delhi to export without due approval from the supplier firm and country. The same is true for platforms (case in point, BrahMos missile) which are co-produced by India with other countries. Consequently, the challenge for India is to produce completely indigenous defence equipment with a high sales value abroad. Even as the current Indian government is working to streamline its defence production and push for exports, resulting in some visible successes lately, there is a limit to what can be achieved in the short to medium term. India's defence industry

continues to struggle with projects that have run for decades past their deadlines. The problem is compounded by India's inability to fully localise and modernise the defence technology it receives from foreign firms.

### WHAT TO EXPECT IN COMING YEARS

As stated above, India's arms exports have expanded recently. In view of the policy changes and push for exports, the trend is likely to continue incrementally. Any improvement in India's performance as an arms exporter will contribute to the success of the 'Make in India' campaign, an important initiative helmed personally by Prime Minister Narendra Modi. Arms exports will also bolster India's image as a credible defence partner in the Indian Ocean Region and Southeast Asia, wherein China's military rise is resulting in changing geo-strategic configurations. Although recent policy changes reflect India's seriousness to revamp its defence industry, it will take time and additional policy reforms before the country emerges as a prominent arms exporter. New Delhi will continue to remain dependent on arms import for its own defence needs, even taking into account that its indigenous defence production sector is gradually improving.



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