

Speaking Points for RR Session on Supply Chains and Manufacturing

Date: Tuesday, 10 December 2024

Time: 2:30 PM to 4:00 PM at JECC, Sitapura, Jaipur

Venue: Hall F

1. South Western Army Commander mentioned:

- At a recent seminar on "Atmanirbharta in Defence Manufacturing: Opportunities in Rajasthan," South Western Army Commander, Lt. Gen. Manjinder Singh highlighted Rajasthan's strategic importance for India's defense sector. He advocated for creating a defence industrial hub or corridor in the state, supported by the central government's announcement of 12 industrial bases, including one in Marwar-Pali. The seminar aimed to chart a roadmap for achieving self-reliance in defence manufacturing, aligning with Rajasthan's vision to become a \$350 billion economy by 2029, with defence manufacturing as a key contributor.

2. Role of Rajasthan in Defence Manufacturing:

- **Rajyavardhan Singh Rathore**, the Industry & Commerce Minister highlighted the importance of establishing a defence hub, especially in terms of Maintenance, Repair and Operations (MRO) to tap into emerging opportunities for self-reliance in defence manufacturing.

3. Current State of Defence Manufacturing in India:

- India now produces about 65% of its defence equipment domestically—this is a significant improvement from the amount previously imported.

4. Growth in Defence Exports:

- India's defence exports have surged to INR 21,000 crores (USD 2.5 billion), showing the growing strength of the sector.

5. Challenges in the Sector:

- **Investment and Foreign Direct Investment (FDI) Restrictions:**
 - While FDI in defense has been raised to 74%, the 'Buy (Indian-Indigenously Designed, Developed and Manufactured)' category limits foreign ownership to 49%.
 - This is a hurdle as foreign Original Equipment Manufacturers (OEMs) hesitate to transfer advanced weapons technology without full control over operations.

- **Intellectual Property (IP) Challenges:**

- The '**Buy (Indian-IDDMM)**' policy requires local partners to either purchase IP rights from foreign OEMs or own system-level design rights. This creates two issues:
 - Foreign OEMs may not be willing to sell the IP for advanced systems, or even if willing, the IP may be controlled by foreign governments.

- **Indigenous Content (IC) Rules:**

- The mandate to source 50% of the contract value locally is another challenge. It forces foreign OEMs to restructure their global supply chains for local manufacturing, which is a deterrent, especially under FDI and IP restrictions.

6. The Role of Global Capability Centers (GCCs):

- GCCs have become integral to the strategies of global companies, particularly American ones.
- They've evolved from cost-saving entities to hubs of innovation and technological advancement, contributing significantly to India's economic growth.
- These centers play a crucial role in enhancing U.S.-India collaboration, fostering stronger bilateral trade and investment ties.
- U.S. companies have invested around USD 60 billion in India, while Indian companies have also invested USD 40 billion in the U.S.

7. Rajasthan's MSME Policy 2024:

- This policy supports micro, small, and medium enterprises (MSMEs) with interest subsidies, technical upgrades, and quality certifications to strengthen local industries.
- The goal is to enable MSMEs to compete effectively in global markets.

8. Export Promotion Policy 2024:

- This policy focuses on reducing logistics costs, streamlining documentation, supporting technical upgrades, and enabling participation in international events to help Rajasthan's products gain a global presence.

9. Integrated Cluster Development Scheme:

- This scheme aims to improve productivity and quality in small industries through cluster-based development.
 - It includes access to raw materials, training, and product testing via Common Facility Centers.
-

241206_RR_CUTS