

Enhancement of the FDI limit in Defence to 49% under FIPB route a right balance to get requisite technology coupled with strategic safeguards

New Delhi, 7 August 2014: Consistent with its aggressive policy advocacy towards development of capabilities for Indigenisation of Defence Sector and employment generation via the manufacturing sector, FICCI welcomes the proposal cleared by the Union Cabinet to enhance FDI in defence up to 49% to develop a robust Defence Industrial Base (DIB), indigenously design & manufacture Defence & Aerospace products customised to the needs of Indian armed forces enshrining India's war doctrines, while creating employment opportunities in the country. FICCI believes that the liberalised FDI limit can be leveraged by Industry and OEMs to build Indigenous Military Industrial Complexes to indigenously produce defence equipment to achieve India's long term goals.

FICCI welcomes the adequate safeguards put in while liberalizing the FDI policy while allowing enhanced levels of FDI, only through the FIPB route as FICCI believes Defence to be a strategic sector where in control regimes dominate and the flow of technology is regulated by the Governments of countries of origin. FICCI also welcomes Exceptions allowing FDI above 49%, on case to case basis, paving way for indigenous production of certain high technology products such as aircraft engines, advanced missile guidance systems, seekers, production of smart materials, high strength carbon fibre etc, for which investments can be justified only by volumes available through integration with the global supply chain of the OEM's .

FICCI also called for greater efforts by the Ministry of Defence to provide special impetus to implementation of the "Defence Production Policy 2011", which aims to indigenise all major platforms over the next decade to build through-life capability across the value chain from concept to maintenance and upgrades. FICCI advocates that India must therefore leverage its position as one of the largest markets for defence equipment and regulate FDI limit enhancement to achieve her strategic goals.

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