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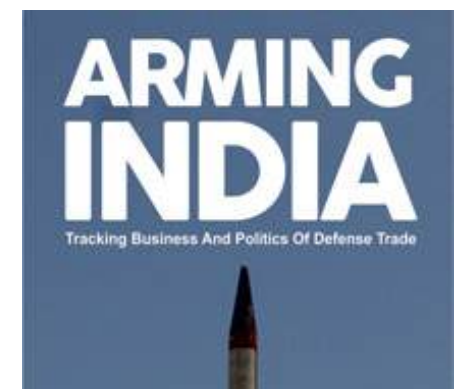
Domestic Industry Comes Out Strongly Against Any More Hike In Defense FDI

By Arming India Correspondent

NEW DELHI, NOV.22, 2015: An influential section of domestic industry has come out strongly against any further relaxation of Foreign Direct Investment (FDI) restrictions in Defense.

It wants FDI to be capped at 49 per cent, and seeks disincentives for doing business with foreign OEMs. It seeks a built-in, systemic preference for products based on Indian developed or acquired Intellectual Property to advance "self-reliance".

This is the first response of emerging private sector players in India's defense industrial sector to the government's recent announcement liberalizing FDI norms in defense and other sectors.



Speaking on behalf of the Defence Innovation and Industry Association (DIIA) - a newly-formed pressure group which seeks to influence government policy - Ashok Atluri, chairman and managing director of the Hyderabad-based simulator manufacturer Zen Technologies said the benefits of FDI were overstated.

Speaking exclusively to Arming India, Atluri said FDI will only result in transfer of lower-end manufacturing capabilities to India while the foreign OEMs will not part with Intellectual Property.

He also strongly suggests a reorientation of the 'Make in India' priorities, which he believes are obsessively focused on the manufacturing process alone. "Make in India is not focusing on design, development and capability building. It's a myth that foreign-outsourced manufacturing will create lasting jobs. The employment generation will be short-term, but one which will perpetuate dependencies on foreigners," he said.

"The focus should be on developing indigenous capability, and incentives should be built into the procurement system for ownership of Intellectual Property by Indian industry. On the lines of the practice in the U.S., a 50 per cent weightage should be given for Indian technology over and above the international benchmarking of prices," Atluri told Arming India.

The remarks are significant ahead of the finalization of the new Defense Procurement Policy (DPP).

Dismissing criticism that he was seeking protectionism for domestic industry, the Zen Technologies head



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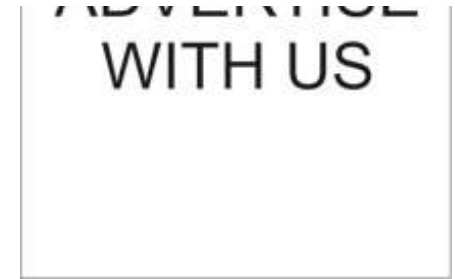
honcho told Arming India that this would be an enabler for building national capability in a strategic sector.

"We must develop our own capability wherever possible. We should also nurture and protect capabilities already developed. Defence industrial capability must be regarded as national property," he said.

"The Intellectual Property should be owned by domestic business. Wherever this is not possible, technology should be bought," he emphasized.

Atluri also wants the new DPP to allow single-vendor situations if it helps in giving preference to domestic industry. India's defense procurement establishment should make their future requirements public, so that Indian industry can attempt developing capability to deliver on those requirements, he suggested.

The details of the suggestions by DIIA and Atluri will be published by Arming India shortly.



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