

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:2298

ANSWERED ON:05.12.2014

FDI IN DEFENCE SECTOR

Biju Shri Parayamparanbil Kuttappan; Lekhi Smt. Meenakashi; Panda Shri Baijayant "Jay"; Reddy Shri Midhun

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government has signed agreements with other countries relating to Foreign Direct Investment (FDI) in the defence sector;
- (b) if so, the details thereof;
- (c) the details of the proportion of Defence expenditure in domestic sourcing from auxiliary production units for the year 2013-14;
- (d) whether due to increase in FDI in Defence sector, domestic production units have lost out especially due to insufficient auxiliary industries, poor sub-systems and material gap and if so, the details thereof; and
- (e) the mechanism put in place to safeguard domestic manufacturing entities from foreign competition?

Answer

MINISTER OF STATE (RAO Inderjit Singh) in the Ministry of Defence

(a) to (e): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 2298 FOR ANSWER ON 5.12.2014

(a) & (b): No agreement has been signed by the Government with other countries relating to FDI in Defence sector. However, in pursuance to the Inter-Governmental Agreement between India and Russia signed in February 1998, a Joint Venture Company, BrahMos Aerospace, between the Defence Research & Development Organisation (DRDO) of India and NPO Mashinostroyeniya of Russia has been formed for design, development, production of a Supersonic Cruise Missile.

(c) In 2013-14, out of the total procurement amounting to Rs.93,217/- crore by the three Services (Army, Navy & Air Force), items worth Rs.55,014/- crore (59%) have been procured from indigenous sources which include public as well as private sector companies.

(d) & (e): After opening up of the Defence Industry Sector for Indian Private Sector Participation, so far 33 FDI proposals / Joint Ventures have been approved in Defence sector for manufacture of various defence equipments, both in public and private sector. FDI amounting to Rs.24.36 crore (US\$4.94 Million) has been received in the Indian Defence Sector from April 2000 to September 2014. The following safeguards have been put in place in the current FDI Policy:

(i) The applicant company seeking permission of the Government for FDI up to 49% should be an Indian company owned and controlled by resident Indian citizens.

(ii) The management of the applicant company should be in Indian hands with majority representation on the Board as well as the Chief Executives of the company / partnership firm being resident Indians.

(iii) Chief Security Officer (CSO) of the investee / joint venture should be resident Indian citizen.