
ASSOCHAM reiterates demand To Raise FDI limit in defense

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The Associated Chambers of Commerce and Industry of India has reiterated its demand for hiking foreign direct investment ceiling in defence from 26% to 49% so that defence indigenisation grows with faster adoption of latest technology transfer.

Dr Swati Piramal president of ASSOCHAM pointed out that India's spending on arms imports since 1999 Kargil conflict have risen close to USD 30 billion and would further go up to over USD 35 billion by 2012. It is therefore necessary to move towards acquiring self reliance in defence production, which could be possible if foreign equity in FDI's is raised to 49% which would help India acquire defence technology for its increased arms production and thus shed its imports dependence.

The ASSOCHAM President further said that the Indian defence sector is established to be worth USD 5 billion to USD 8 billion annually. If the Indian economy continues to grow at current momentum, its defence spending is projected to increase from 2.8% to 3% of the GDP in the future and this increase would be used to finance additional capital outlays for modern equipment.

Dr Piramal said that the fact that in 2001, the Indian government opened up the defence production industry by allowing 100% investment by private sector firms and at the same time also allowed FDI of 26% in select areas in the defence production. This needs to be further accelerated to 49% as it would help procurement of latest technologies as per provisions of Defence Offset policy.

It has been stated that as India has a large industrial base, offsets will further develop its technical and manufacturing potential and they will also help to increase investments in domestic research and development. The policy is also expected to hugely benefit the Small and Medium Enterprises and is conducive for the private companies to have a larger presence in the defence set up.

Dr Piramal said that host of Indian companies can get the benefit of offset policy and such a scenario will further boost country's economy in the near future. The offset policy is expected to generate market-entry opportunities for private companies, to invest in research and development and manufacturing of defence goods.

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