

INDIA'S EXPERIENCE IN ATTRACTING FOREIGN INVESTMENT IN MILITARY EQUIPMENT AND WEAPONS MANUFACTURING: LESSONS FOR UKRAINE

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Abstract

This article examines India's experience in attracting foreign investment into its military equipment and weapons manufacturing sector, highlighting key strategies and policies that have contributed to its success. It analyzes the "Make in India" initiative, liberalization of investment policies, and strategic partnerships with foreign companies. The study identifies key steps taken by India to attract investment in military production, including market liberalization, government incentives, and simplified access to defense tenders. Ultimately, the article aims to provide valuable lessons and recommendations for Ukraine on how to enhance its investment attractiveness in the defense industry, drawing parallels with India's successful approach.

Key words: Ukraine, military equipment and weapons, India.

Introduction

In light of escalating global security concerns, an increasing number of countries, including Ukraine, are seeking to modernize their defense industries through collaboration with international companies. There are numerous successful examples worldwide of attracting foreign direct investment (FDI) into the defense industry; let us consider some of them.

India serves as a prime example of how the private sector, government support, and foreign partners can create a new ecosystem for weapons manufacturing. Traditionally, India has been predominantly an arms importer, but it is now increasingly building its capacity for weapons production and even export. Its experience with international cooperation in weapons manufacturing, attracting FDI to the military-industrial complex, and increasing the localization of weapons systems production is extremely valuable for Ukraine.

One of the successful policies of the Indian government has been the "Make in India" initiative, launched in 2014 under the leadership of Prime Minister Narendra Modi. This initiative has become a strategic program of national scale, aimed at transforming India into a global manufacturing hub. Special emphasis within this program is placed on the development of the defense industry as one of the 25 key sectors of the economy.

Results

Key steps taken by India to attract investment in military production include:

Market liberalization: Since 2020, India has allowed foreign companies to invest in the military-industrial complex without special permission and has increased the investment limit from 49% to 74%, creating a favorable environment for FDI.

The government-launched **“Make in India” initiative** encourages private conglomerates to create domestic production facilities in the defense sector.

Simplified access for private companies to participate in government defense tenders.

Introduction of the **“Defence Procurement Policy” (DPP)**, which prioritizes “Make in India”. Priority is given to the procurement of weapons manufactured in India with local components (Indian Designed, Developed, and Manufactured).

The Indian government’s “Make in India” program has enabled the expansion of weapons production in India, which is crucial for ensuring national security by reducing dependence on arms imports. Furthermore, India has attracted foreign capital and foreign defense companies to manufacture weapons on its territory, allowing it to enter the international arms market and gain access to the latest defense technologies.

One successful international cooperation project is the experience of the Indian company Adani Defense & Aerospace with the Israeli company Elbit, which is extremely valuable for countries transforming their defense capabilities. Adani Defense & Aerospace has formed a joint venture with Elbit Systems for the localized production of the Hermes 900 reconnaissance and surveillance UAV, adapted to the needs of the Indian army. The results of the cooperation include:

The first strategic reconnaissance UAV of foreign design assembled in India at local facilities. Supply of drones to the Indian Navy and Land Forces as part of the national defense modernization program.

Export of Hermes 900 aerostructures and subsystems from India to Israel, Southeast Asia, and Africa.

Creation of over 2,000 jobs in the defense aviation sector (directly and through contractors).

Integration of Indian technological requirements into the existing Elbit platform, adaptation to the climate and operational needs of the region.

In addition to the positive results listed above, India is gradually reducing its dependence on arms imports, increasing technological sovereignty, and developing the private defense sector.

Another interesting example of cooperation is the collaboration between Tata Group (India) and Lockheed Martin / Sikorsky (USA) for the production of components for S-92 helicopters and F-16 fighters.

The cooperation between Tata Advanced Systems Limited (TASL) and the American defense giants Lockheed Martin and its subsidiary Sikorsky began under the “Make in India” initiative back in 2009-2010.

The Indian government actively encouraged strategic partnerships with foreign companies to localize production, create export-oriented industries, and develop the national aviation sector.

In 2010, TASL and Sikorsky opened a joint venture in Hyderabad (Telangana), with the main task of producing fuselages for the S-92 helicopter, which are subsequently exported to the United States for final assembly. In 2018, TASL became the sole global manufacturer of S-92 fuselages, having supplied over 150 kits for export.

In 2018, Lockheed Martin and TASL signed an agreement to transfer the production line of F-16 wings to India. The goal was not only to meet Indian needs but also to export components to global markets. India became the only country besides the United States where wings for the F-16 are manufactured.

In 2017, L&T (Larsen & Toubro, India) and MBDA (France) formed a joint venture, L&T MBDA Missile Systems Ltd., based in India. Its tasks include the production of tactical missile systems for the Indian Armed Forces, localization of components, assembly of missiles under European licenses, and gradual technology transfer to the Indian side.

The positive strategic consequences for India from such cooperation include:

Access to modern missile technologies, including complex guidance electronics, sensors, and control systems.

Reduced dependence on arms imports and increased domestic production.

Opportunity to export products manufactured in India to third countries under the MBDA brand, where permitted by EU regulations.

Development of engineering personnel, technical training, and R&D in a strategically important sector.

Analyzing India's experience, it can be concluded that the stimulus for the development of India's military-industrial complex was its state policy, namely the "Make in India" program. The government's initiatives, which simplified the permitting system, increased the ownership share in defense enterprises for foreign investors, simplified the regulatory system, and more, became the drivers that allowed India to gain a number of strategic benefits.

Based on the analysis, the following recommendations can be formulated for the Government of Ukraine, which should improve the investment attractiveness of our military-industrial complex:

Liberalize investment policy in the military-industrial complex, introduce an automatic system of permits for foreign direct investment in the military-industrial complex (similar to the Indian 74% without special permission).

Develop a state program to stimulate localized production of defense products by foreign companies in Ukrainian facilities, identifying priority areas for localization: unmanned technologies, artillery systems, ammunition, and air defense systems.

Create special defense-industrial clusters/parks (with tax incentives, logistics infrastructure, and government support).

Ensure rapid access to land, licensing, and electricity.

Introduce transparent, fast procedures for joint production and export of defense products, taking into account control from partner countries (USA, EU, Israel, South Korea, Japan, Australia).

Establish a unified state center to support export credit financing for Ukrainian/joint military-industrial complex projects.

To develop the investment attractiveness of private enterprises, the following initiatives can be implemented:

Initiate voluntary association of manufacturers (consortia, holdings) to ensure scalability and trust from foreign partners.

Launch transparent audits and certification of enterprises to increase investment attractiveness.

Offer foreign companies localized assembly of products with further cooperation in R&D.

Invite cooperation in the supply of components, as Tata does for Lockheed Martin (production of S-92 helicopter cabins, F-16 wings).

Focus on the development of drones, sensor systems, autonomous control, and cybersecurity: areas where it is easiest to establish interaction and quickly adapt.

Conclusions

India's transformation from a major arms importer to a growing weapons manufacturer provides valuable insights for countries like Ukraine seeking to strengthen their defense industries. The "Make in India" program, coupled with liberalized investment policies and strategic partnerships, has been instrumental in attracting foreign investment and fostering domestic production. Key takeaways for Ukraine include the need to:

Create a business-friendly environment with transparent regulations and streamlined approval processes.

Prioritize the localization of defense production through incentives and support for foreign companies.

Encourage strategic alliances with international partners to facilitate technology transfer and access to global markets.

Focus on developing expertise in key areas such as drone technology, sensor systems, and cybersecurity.

By adopting similar strategies and addressing specific challenges, Ukraine can enhance its investment attractiveness, strengthen its defense capabilities, and reduce its reliance on arms imports.

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Competing interests

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