Vivekananda International Foundation

VIF Brief | April 2024

# TRENDS IN GLOBAL ARMS TRADE & INDIA

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Published in 2024 by
Vivekananda International Foundation
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# About the Author

Dr Saroj Bishoyi is a Research Fellow with the Centre for Technology and Scientific Studies, Vivekananda International Foundation (VIF), New Delhi where his research focuses on India's capabilities and capacities in technology, and international technology cooperation. His areas of research also focus on USA, India-US Strategic Partnership and Indo-Pacific. He received his PhD degree from Jawaharlal Nehru University (JNU), New Delhi and was ICSSR Doctoral Fellow. Previously, he has worked with the AMS Division, which deals with USA and Canada, Ministry of External Affairs (MEA), New Delhi; Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA), New Delhi; Selected Works of Jawaharlal Nehru Unit, JNMF, New Delhi; YC-NISDA, University of Pune, Pune; and, Foundation for National Security Research (NSRF), New Delhi. He has published numerous articles in journals, edited books, magazines, newspapers and academic websites. His recent works include Technology, Geopolitics and India's Quest for Tech Self-Reliance; India's Defence Exports: Recent Trends and the Way Forward; India's Semiconductor Strategy; US Critical and Emerging Technology Strategy; US-China Tech Rivalry: Pentagon Report on China's Emerging Technology Strategy; Growing India-US Ties in Critical & Emerging Tech; India-US Forging Tech Alliance since Long; India-US Peacekeeping Cooperation; and, Role of the United States in the 1971 War: Implications for India–US Relations.

# List of Abbreviations

| | |
|---|---|
| AMCA: | Advanced Medium Combat Aircraft |
| ATAGS: | Advanced Towed Artillery Gun System |
| AASM: | Armement Air-Sol Modulaire |
| AI: | Artificial Intelligence |
| CETs: | Critical and Emerging Technologies |
| DAP: | Defence Acquisition Procedure |
| DIC: | Defence Industrial Cooperation |
| DPSUs: | Defence Public Sector Undertakings |
| DRDO: | Defence Research and Development Organisation |
| DDP: | Department of Defence Production |
| DMA: | Department of Military Affairs |
| DGFT: | Directorate General of Foreign Trade |
| FY: | Financial Year |
| FDI: | Foreign Direct Investment |
| FFCs: | Friendly Foreign Countries |
| GE: | General Electric |
| GVCs: | Global Value Chains |
| HAL: | Hindustan Aeronautics Limited |
| IDDM: | Indigenously Designed, Developed and Manufactured |
| INDUS-X: | India-US Defense Acceleration Ecosystem |
| iCET: | initiative on Critical and Emerging Technologies |

| | |
|---|---|
| iDEX: | Innovations for Defence Excellence |
| ISR: | Intelligence, Surveillance, and Reconnaissance |
| JVs: | Joint Ventures |
| L&T: | Larsen and Toubro |
| LCA: | Light Combat Aircraft |
| LAC: | Line of Actual Control |
| MRO: | Maintenance, Repair and Overhaul |
| MDL: | Mazagon Dock Shipbuilders Limited |
| MALE: | Medium Altitude Long Endurance |
| MoU: | Memorandum of Understanding |
| MSMEs: | Micro, Small and Medium Enterprises |
| MIC: | Military-Industrial Complex |
| OEMs: | Original Equipment Manufacturers |
| PLA: | People's Liberation Army |
| PIL: | Positive Indigenization List |
| R&D: | Research and Development |
| SCOMET: | Special Chemicals, Organisms, Materials, Equipment and Technologies |
| SIPRI: | Stockholm International Peace Research Institute |
| ToT: | Transfer of Technology |
| UAE: | United Arab Emirates |
| UNSC: | United Nations Security Council |
| UAV: | Unmanned Aerial Vehicle |

# Abstract

*The SIPRI's recent report on international arms transfer reflects the dynamic trends in the global arms trade. While the US, the world's largest arms supplier, dominates the international arms market and its share has dramatically increased over the previous five year from 34 percent in 2014-18 to 42 percent in 2019-23. France has emerged as the second-largest arms exporter for the first time displacing Russia, which descended to the third place. The share of arms exports by China and Germany also declined, but they retained fourth and fifth place respectively among the world's largest arms exporters. These top five exporters of major arms accounted for three quarters i.e.75 percent of all arms exports in 2019-23.*

*India with 9.8 percent share retained its position as the largest arms importer in the world. Though it has made substantial progress in the domestic arms production and procurement of defence items. Notably, it did not figure among the 25 largest arms exporters, while its arms exports reached to an all-time high of over Rs.21000 crore in the Financial Year (FY) 2023-24. The ongoing Russia-Ukraine war, crisis in the greater West Asia, and China's aggression in South and East Asia were the key factors that propelled the regional countries to import more weapons from the US and its allies to defend themselves.*

*With this background, the present brief examines and analyses the dynamic trends in the global arms trade, India's place in it and the implications for security and defence indigenization efforts. It points out that though India remains as the largest importer, the domestic production of arms and procurement from indigenous sources has increased substantially in the last five years and moving towards self-reliance in defence. It also points out that India's landmark achievement in defence exports reflects its capacity and capability to design, develop and manufacture cutting-edge weapons for itself and for the world.*

# Introduction

The Stockholm International Peace Research Institute (*SIPRI*) recently released its Fact Sheet on international arms transfer which reflects the dynamic trends in the global arms trade. The US, the world's largest arms supplier, dominates the international arms market and its share has dramatically increased over the previous five years from 34 percent in 2014-18 to 42 percent in 2019-23. With 11 percent share, France has emerged as the second-largest arms exporter for the first time. Russia's share in global arms trade declined substantially from 21 percent to 11 percent during the same period, resulting in its descent to the third place. The share of arms exports by China and Germany also declined by 5.3 percent and 14 percent, but they retained fourth and fifth place respectively in the global arms trade. These top five exporters of major arms, i.e. the US, France, Russia, China and Germany, together accounted for three quarters, i.e.75 percent of all arms exports during the period 2019-23.[1] Particularly, the US arms exports increased by 17 percent compared to the previous five-year record and majority of its arms went to Europe, Asia and Oceana. The Russia-Ukraine war, crisis in the greater West Asia, and China's aggression in the South and East Asia were the key factors that propelled the regional countries to import more weapons from the US and its allies to confront the emerging threats and challenges to their national security.

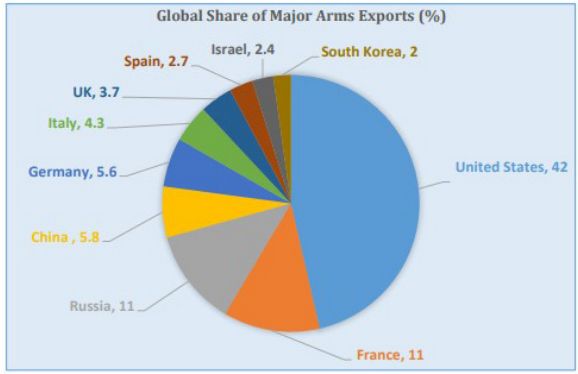
So far as India's place in the global arms trade is concerned, India with 9.8 percent share retained its position as the largest arms importer in the world. Though it has made substantial progress in the domestic arms

production and procurement of defence items for its military. Its arms import from external sources increased by 4.7 percent from 2014–18 to 2019–23. Meanwhile, India's arms exports reached to an all-time high of over Rs.21000 crore in the Financial Year (FY) 2023-24. However, it did not figure among the 25 largest exporters of major arms list. In this setting, this brief examines and analyses the dynamic trends in the global arms trade, India's place in it and the implications for security and defence indigenization efforts. It points out that though India maintains top position as an importer, the domestic production of arms and procurement from indigenous sources has increased substantially in the last five years and moving towards self-reliance in defence. It also points out that India's landmark achievement in defence exports reflects its capacity and capability to design, develop and manufacture cutting-edge weapons for itself and for the world. The Modi government's vision of "Make in India, Make for the World" has made considerable progress and expected to become a net arms exporter in the coming years.

# Major Arms Exporters in the World

According to *SIPRI*, a total of 66 countries exported major arms during the period 2019-23. But the top five exporters i.e. the US (42 percent), France (11 percent), Russia (11 percent), China (5.8 percent) and Germany (5.6 percent), together accounted for over three quarters i.e.75.4 percent of all arms exports (See Figure 1). While the United States arms exports increased by 17 percent and French by 47 percent from 2014-18 to 2019-23 period. The volume of US arms export was 282 percent higher than that of France in 2019–23. The share of the remaining three states of the top five exporters i.e. Russian (–53 percent), Chinese (–5.3 percent) and Germany (–14 percent) declined during the same period.

**Figure 1:** Global Share of Major Arms Exports by the 10 Largest Exporters, 2019–23




*Source: SIPRI* Fact Sheet, March 2024

A closer look at the arms trade data shows that the US and its Western European allies exert considerable influence in the global arms trade. They together accounted for 72 percent of all arms exports in 2019–23, compared with 62 percent in 2014–18.[2] France, Germany, Italy, UK and Spain are major exporters of arms in Europe which is home to a number of advanced defence industries.

In 2019–23, the US supplied major arms to 107 states. The largest share went to states in the Middle East (38 percent). The four states in the region i.e. Saudi Arabia (15 percent), Qatar (8.2 percent), Kuwait (4.5 percent) and Israel (3.6 percent) are among the top 10 recipients of US major arms. The US arms exports to Asia and Oceania accounted for 31 percent of all its arms exports which increased by 14 percent. Three states in the region, i.e. Japan (9.5 percent), Australia (7.1 percent) and South Korea (5.3 percent), were among the top 10 recipients of US arms in 2019–23. The arms import in the region were mainly driven by their shared perception of Chinese aggression.

The US arms exports to Europe significantly increased since the beginning of Russia-Ukraine war in February 2022. The US arms exports to Europe accounted for 28 percent in 2019–23, which increased from 11 percent in 2014–18. Ukraine accounted for 17 percent of all US arms exports to Europe. The US delivered 420 combat aircrafts, including 249 F-35 aircraft in 2019-23 which accounted for 24 percent of total arms exports. Moreover, it has many pending arms export deliveries, including 1071 combat aircrafts, of which 785 are F-35s. So the US is expected to maintain its dominance in the global arms market in the next few years as well. This comes at a time when the US under the Biden administration has been facing economic, technological and geopolitical challenges from assertive China and other regional powers such as Russia and Iran.

France has replaced Russia to become the world's second-largest major arms exporter for the first time. Its arms exports accounted for 11 percent

of global arms transfers, which is slightly higher than that of Russia's total exports and increased by 47 percent between 2014–18 and 2019–23. It supplied arms to 64 countries during the period, but India was by far the largest recipient of French arms which accounted for 29 percent, followed by Qatar (17 percent) and Egypt (6.4 percent). The majority of France's arms exports went to Asia and Oceania (42 percent) and the Middle East (34 percent). Its export to Europe accounted for only 9.1 percent of its total arms exports, despite its best efforts to increase arms exports to the region. The export of Rafael combat aircraft increased from 23 in 2014–18 to 94 in 2019–23, which led to sharp increase in French arms exports in 2019–23. It also increased its exports of military ships and the weapons to arm them by 14 percent. In addition, 178 out of 193 Rafaels were ordered for export at the end of 2023 which came from states outside Europe – Egypt, India, Indonesia, Qatar and the United Arab Emirates (UAE). Notably, 8 out of the 10 European states that ordered combat aircraft in 2019–23 opted for US F-16s or F-35s. This reflects the strong challenge that France faces from the US in selling its major arms to Europe.

Russia slipped to third place and its share has declined from 21 percent in 2014-18 to 11 percent in 2019-23, which declined by 53 percent. Its role in the international arms market is expected to further decline because of Russia's current priority is to supply arms to its own army fighting in Ukraine, the US led western countries' sanctions impacting its capacity to manufacture more arms, and the diversification by recipient countries. For instance, 31 states received Russian arms in 2019 that number fell to 14 states in 2022 and the number further fell to 12 states in 2023. In total, it supplied major arms to 41 states in 2019–23. Its arms exports to states in Asia and Oceania accounted for 68 percent, while states in Middle Eastern and Africa received 13 percent and 10 percent respectively. However, about two thirds of its arms exports went to three states in 2019–23: India (34 percent), China (21 percent) and Egypt (7.5 per cent).

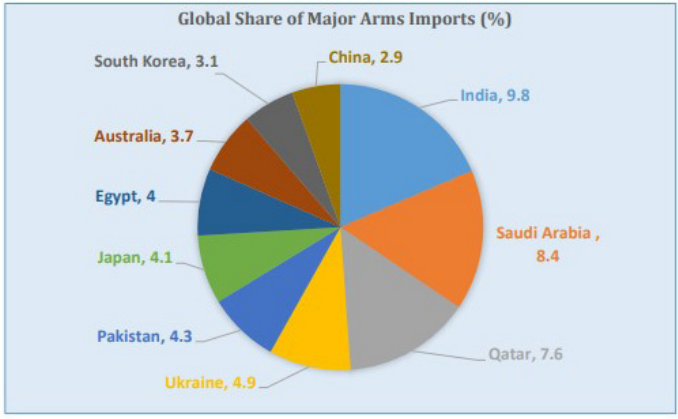
China retained its fourth place as the major arms exporter in the world and its total exports accounted for 5.8 percent in 2019–23. But its arms exports declined by 5.3 percent between 2014–18 and 2019–23. China supplied arms to 40 states in 2019–23, and the majority of its arms went to states in Asia and Oceania, which accounted for 85 percent. The data shows that Pakistan alone imported 61 percent of arms from China, followed by Bangladesh (11 percent) and Thailand (6.0 percent). China's major arms exports to Pakistan include HQ-9 SAMS air defence systems, CH-4A UAVs, VT-4 armoured vehicles, CM-401 anti-ship missiles, and HQ-9 SAM missiles; and, its major arms exports to Bangladesh include VT-5 armoured vehicles, FM-90 SAMS air defence systems, FM-90 SAM missiles, and Padma patrol craft ships.[3] China's emergence as a primary arms supplier to Pakistan and Bangladesh raises security and strategic concerns for India. China also exported 9.9 percent of its arms to African states.

The total arms exports by Germany, the world's fifth largest arms exporter, accounted for 5.6 percent in 2019-23, which was 14 percent lower than in 2014–18. The five other exporters of the 10 largest arms exporters in 2019-23 were Italy (4.3 percent), UK (3.7 percent), Spain (2.7 percent), Israel (2.4 percent) and South Korea (2.0 percent). The data shows that the top 10 states accounted for 90.5 percent of global arms export in 2019-23. All the P-5 members of the United Nations Security Council (UNSC), i.e. the US, Russia, France, China and UK, are in the top ten list. The remaining 15 countries share in the global arms trade ranges from 0.2 percent to 1.6 percent. The 25 largest arms exporters together accounted for 98.8 percent of the world's arms exports in 2019–23, where India did not figure.

## Major Arms Importers in the World

According to *SIPRI*, 170 states were the major arms importers in 2019–23. The top five arms importers were India (9.8 percent), Saudi Arabia (8.4 percent), Qatar (7.6 percent), Ukraine (4.9 percent) and Pakistan (4.3 percent), together accounted for 35 percent of all arms imports in 2019-23 (See Figure 2).

**Figure 2:** Global Share of Major Arms Imports by the 10 Largest Importers, 2019–23




*Source: SIPRI* Fact Sheet, March 2024

States in Asia and Oceania accounted for 37 percent of all arms imports in 2019–23, which shrunk by 12 percent between 2014–18 and 2019–23, mainly because of a sharp drop in Chinese (-44 percent) arms imports. Under President Xi Jinping's leadership, Beijing has scaled up its domestic production and procurement of advanced technologies

and weapons. The Chinese People's Liberation Army (PLA) is rapidly deploying these newly acquired technological powers to achieve its strategic objectives. However, the region saw the highest volume of arms imports in 2019-23. The arms import by Pakistan, the world's fifth largest arms importer, increased by 43 percent, despite the persistent economic instability and political upheaval in the country. Importantly, Islamabad further strengthened its arms procurement relations with China by importing 82 percent of its arms from China in 2019–23, in comparison to 69 percent in 2014–18 and 51 percent in 2009–13. This development underscores the dynamic trends in the region's arms trade landscape with having security and strategic implications for India.

States in the Middle East procured 30 percent of all global arms in 2019-23. However, the arms imports were 12 percent lower in 2019–23 than in 2014–18. Three arms importers in the region – Saudi Arabia (8.4 percent), Qatar (7.6 percent) and Egypt (4 percent) – were among the top 10 arms importers in 2019–23. But Saudi Arabia and Egypt's arms import decreased by 28 percent and 26 percent respectively, while Qatar's imports increased by 396 percent.

Notably, states in Europe procured 94 percent of arms higher in 2019–23 than in 2014–18, where Ukraine alone received 23 percent of the region's arms imports in 2019–23. The share of Ukraine's arms imports increased from 0.1 percent in 2014–18 to 4.9 percent in 2019–23, and emerged as the fourth largest arms importer in the world. The other major arms importers in the region were UK (11 percent) and the Netherlands (9.0 percent). The majority of arms imports (55 percent) came from the US in 2019–23, compared with 35 percent in 2014–18. This sharp increase in the region's arms imports were the result of the ongoing Russia-Ukraine war.

States in the Americas imported 5.7 percent of global arms, which declined by 7.2 percent between 2014–18 and 2019–23. While the US accounted for 50 percent of the region's total imports in 2019-23, it

was also the leading supplier of arms, including 102 combat aircraft supplied to Canada. Arms imports by the African states also fell by 52 percent between 2014-18 and 2019-23, mainly because of the decreases in the arms imports by Algeria (–77 percent) and Morocco (–46 percent). Russia with 24 percent share was the major arms supplier to Africa in 2019–23, followed by the US (16 percent), China (13 percent) and France (10 percent). Overall, the volume of global arms imports decreased slightly by 3.3 percent between 2014-18 and 2019-23.

# India in the Global Arms Trade

As the largest importer of arms in the world for several years now, India has been occupying a prominent place in the global arms trade. But its emergence as an exporter is a landmark development, which has significant defence and strategic value. Importantly, the dynamic trends in the global arms trade reflects that the world has entered a new era of geopolitical conflicts and great power competition, where India intensified its efforts to further diversify major arms imports to overcome any supply chain disruptions. At the same time, it put greater emphasis on domestic manufacture and procurement of major arms under its 'self-reliant India' and 'make in India' initiatives. In this context, the following sections discusses India's arms imports, exports and efforts to reduce arms imports from foreign sources.

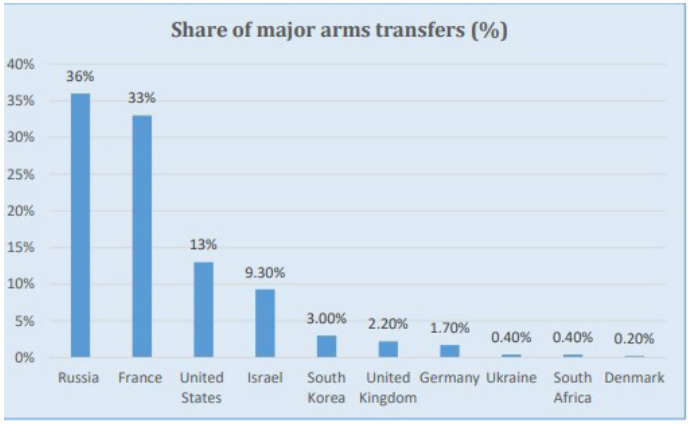
## India's Arms Imports

With 9.8 percent share of global arms imports in 2019–23, India retained its position as the largest importer of arms in the world. Its arms imports increased by 4.7 percent between 2014-18 and 2019–23.[4] It imported majority of its arms from the five states – Russia, France, US, Israel and South Korea, which accounted for 94.3 percent of all arms import by India in 2019-23 (See Figure 3). The top 10 largest suppliers of major arms to India accounted for 99.2 percent in 2019-23.

The major factors that contributed to the surge of India's arms imports

were the prevailing tensions with its two nuclear armed neighbours, China and Pakistan, which continue to pose big defence and security challenges to it. In addition, the emerging and disrupting technologies including artificial intelligence (AI), cyber, space, information, and military drones have further changed the nature of warfare. India needs to continuously strengthen its military capabilities against its adversaries to stay battle ready for the present and for the future wars.

**Figure 3:** Share of India's Major Arms Imports from 10 Largest Suppliers, 2019-2023




*Source: SIPRI* Arms Transfers Database

## 1. Imports from Russia

India imported 36 percent of its arms from Russia, which was the largest arms supplier to India during both the five years' period i.e. 2014-18 and 2019-23. However, its share progressively came down from 76 percent in 2009–13 to 58 percent in 2014–18 and then to 36 percent in 2019–23. The key factors that contributed to this reductions were: India's diversification of arms imports, where Russia is facing "strong competition" from other suppliers such as France, US and Israel; India's own indigenous arms production programmes, which started well

before the Ukraine war, in addition to "constraints on Russia's arms exports related to its invasion of Ukraine" since February 2022 as it prioritises supplies to its own army.[5]

According to a *Bloomberg* report, Russia has stopped delivery of military supplies to India of about $10 billion worth of spare parts as well as the remaining two S-400 missile-defense system as the two countries "struggle to find a payment mechanism that doesn't violate US sanctions".[6] Russia has recently conveyed that the remaining S-400 systems will be delivered in the second half of 2026,[7] which were expected to be delivered to India by early 2024. This was delayed due to the ongoing Russia-Ukraine war. Nevertheless, India-Russia enjoy a strong military and technological cooperation, including joint development and production of advanced weapons such as BrahMos missiles, which is a success story in terms of joint production and exports. At present, about 60 percent of India's military equipment are of Russian origin and it is dependent on Russia for technical maintenance of these weaponry, which is not going to go away anytime soon.

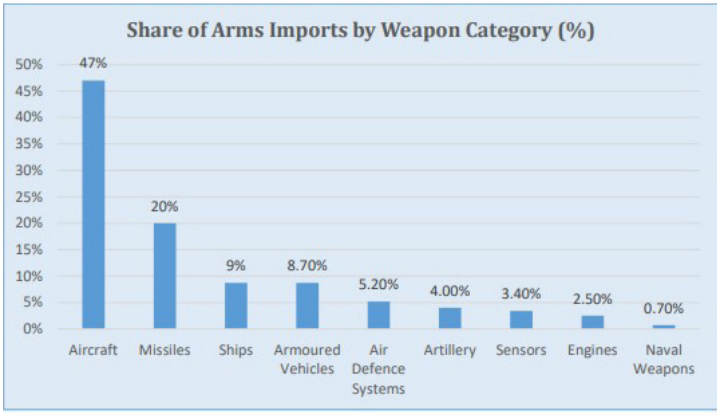
**2. Imports from France**

India's arms import from France increased significantly from 6.8 percent in 2014-18 to 33 percent in 2019-23, which is the result of procurement of major arms such as Rafael aircraft, Mirage-2000 aircraft, SA-316 Alouette-3 helicopter, submarines, Armement Air-Sol Modulaire (AASM) Hammer missiles, a new generation medium-range modular air-to-ground weapon, and among others. In January 2016, India and France had signed a Memorandum of Understanding (MoU) for acquisition of 36 Rafael aircrafts in flyaway condition from Dassault Aviation. All the 36 Rafael aircrafts delivered by December 2022 and became fully operational. In August 2021, India signed an agreement to acquire 24 phased-out Mirage-2000 aircrafts which had taken part in the Balakot airstrikes against terrorist camps deep inside

Pakistan territory and destroyed terrorist camps there. These combat aircraft acquisitions have strengthened India's air power.

India had also signed a defence deal with France's M/s Naval Group (earlier DCNS) to build six Scorpene-class submarines under transfer of technology (ToT) at the Mazagon Dock Shipbuilders Limited (MDL), Mumbai. Four out of these six submarines have been commissioned by November 2021. These major arms acquisitions from France led it to displace the US as the second-largest supplier of arms to India after Russia. India is also slated to import a range of weapons from France and there are also new opportunities for joint production of advanced weapons and components in India that could lead it to become number one arms exporter to India.

**Figure 4:** Share of India's Major Arms Imports by Weapon Category, 2019-2023




*Source: SIPRI* Arms Transfers Database

## 3. Imports from United States

India imported 13 percent of its arms from US in 2019-23, same percentage as in 2014-18. The US was the third largest arms supplier to India during both the five-year period. It is important to note here

that India's major arms purchases from the United States were almost negligible prior to 2008, but this purchases dramatically crossed to over $22 billion in 2023. The major arms that it bought from the US include C-130J Hercules, C-17 Globemaster and P-8 Poseidon aircrafts, Harpoon Block-2 anti-ship missiles, AGM-114K Hellfire anti-tank missiles, AH-64E Apache and CH-47F Chinook helicopters, and M77 Howitzer guns.[8] India is expected to import another $10 billion of defence equipment from the US which include 30 MQ-9B predator drones, two ISTAR aircraft, six more C-130J aircraft, and one NASAMS-II air defence unit.[9]

In January 2023, the two countries launched 'initiative for Critical and Emerging Technologies' (iCET) framework for enhancing bilateral cooperation in the areas of defence, space, quantum, semiconductor, 5G/6G telecommunication, and artificial intelligence. Under the iCET framework, the United States General Electric has partnered with India's Hindustan Aeronautics Limited (HAL) for joint production of GE F-414 jet engines for the Indian Air Force's advanced version of the Tejas fighter, the Light Combat Aircraft (LCA) Mk-2, in India with 80 percent Transfer of Technology (ToT) arrangement with GE Engines.[10] Moreover, the two countries have launched INDUS-X and a new roadmap for Defence Industrial Cooperation (DIC) for fast-tracking technology cooperation and coproduction in high priority areas such as air combat and land mobility systems; munitions; intelligence, surveillance, and reconnaissance (ISR); and the undersea domain. Therefore, the US will remain an important strategic partner for India in the field of defence technology cooperation, which has been the most visible aspect of their growing relationship over the last two decades.

### 4. Imports from Israel

The share of India's arms imports from Israel, the fourth largest arms

supplier to India, declined from 15 percent in 2014-18 to 9.3 percent in 2019-23. The major arms that it procured from Israel include Spike-MR anti-tank missiles, Spice missiles, M-2052 combat aircraft radars, Heron-TP armed Unmanned Aerial Vehicle (UAV). Israel exported 37 percent of its arms to India in 2019-23, making India the largest buyer of Israel's arms. India has imported about US $ 2.9 billion weapons from Israel over the last one decade, including radars, missiles, surveillance and combat drones. Israel's ongoing operations against Hamas have created a growing need for arms, but its war needs have not affected with its arms supplies to India, especially the type of weapons it presently exporting to India. Israel's Elbit Systems has now partnered with India's Adani Group for manufacturing Hermes 900, a Medium Altitude Long Endurance (MALE) UAV, in India.[11] The Adani-Elbit Advanced Systems India Ltd based in Hyderabad has recently supplied more than 20 Hermes 900 drones to Israel.[12] This can also be supplied to the Indian military, which will enhance the Indian Army's surveillance capabilities along the northern borders, and other FFCs for its use.

**5. Imports from South Korea**

India's arms import from South Korea increased from 0.2 percent in 2014-18 to three percent in 2019-23. Its arms imports included 100 K-9 155mm artillery which were ordered in 2017 and delivered in 2021. The South Korea's K-9 Howitzer has become "a symbol of defence cooperation between the two countries".[13] India is manufacturing the K9 Vajra, its own variant self-propelled howitzer, incorporating technology transferred from the Korean defence company, Hanwha Aerospace. The first 10 of these guns were imported in semi knocked down state and were assembled at Armoured Systems Complex of Larsen and Toubro (L&T) in Gujarat under the 'Make in India' initiative. The Indian Army deployed these guns in the forward areas in Ladakh along the Line of Actual Control (LAC) with China.[14]

In recent years, South Korea has emerged as an import supplier of arms and military components to India and the two countries are discussing about joint research, development, production and export of major arms. In 2019, they finalized a roadmap for joint production of various land and naval systems. South Korea has expressed its interest to invest in India's two defence corridors – Uttar Pradesh and Tamil Nadu – especially by investing in joint ventures under the 'self-reliant India' initiative.[15] The Indian government is also providing special incentives to the South Korean defence companies. South Korea is also willing to share technology on submarines and missile systems with India to strengthen defence cooperation between the two countries.[16] The key driving factor for this upsurge in India-South Korea defence cooperation is the two countries shared perception about China's growing military assertiveness in the Indo-Pacific region.

The share of India's arms imports from the remaining five states of the top ten states – UK (2.20 percent), Germany (1.70 percent), Ukraine (0.40 percent), South Africa (0.40 percent) and Denmark (0.20 percent) accounted for 4.9 percent in 2019-23.

## India's Arms Exports

India's arms export reached to all time high of Rs. 21104.67 crore (about US $ 2.63 billion) in the Financial Year (FY) 2023-24, which is 32.5 percent increase from the previous FY 2022-23 (See Table 1). India's defence exports have grown by 31 times in last ten years that is from FY 2013-14 to FY 2023-24.[17] Compared with previous ten years from 2004-05 to 2013-14, India's defence exports increased by 21 times, when its total defence exports was Rs. 4,312 crore. Defence exports have gone up to Rs. 88,319 crore during 2014-15 to 2023-24. This is a landmark achievement and crucial step towards India's stated goal of exporting US $ 5 billion worth of aerospace and defence equipment annually by 2025 and becoming a net arms exporter.

Major platforms that India exported include Akash Missile System, Armoured Vehicles, BrahMos Missiles, 155 mm Advanced Towed Artillery Gun System (ATAGS), Dornier-228 Aircrafts, Mine Protected Vehicles, Radars, Simulators, Pinaka Rockets & Launchers, Ammunitions, Thermal Imagers and Body Armour. The arms exports also include Systems, Line Replaceable Units and Parts & components of Avionics and Small Arms. Therefore, the growth of its arms export value is the result of the addition of these weapon systems and components to India's arms export basket. There is also increasing demand of patrol boats, Light Combat Helicopter, LCA-Tejas and Maintenance, Repair and Overhaul (MRO) activities. States in Africa, Southeast Asia, South Asia, West Asia, and the US are the major recipient of India's defence goods and also MRO activities. At present, about 100 Indian defence companies are exporting major arms and components to over 85 states like Armenia, Bhutan, Bangladesh, Ethiopia, Philippines, Maldives, Mauritius, Mozambique, Myanmar, Nepal, Saudi Arabia, Seychelles, Sri Lanka, UAE and US.

**Table 1:** India's Defence Exports from FY 2016-17 to FY 2023-24 (in Rs Cr)

| Sl. No. | Financial Year | Export Authorizations to Private Companies (Rs Cr) | Export by DPSU/ 7 New OF Companies (Rs Cr) | SCOMET Delivered by DGFT (Rs Cr) | Contract Value(Rs Cr) | Total Export Value (Rs in Cr) |
|---|---|---|---|---|---|---|
| 1 | 2016-17 | 194.35 | 1327.51 | 0 | 0 | 1521.86 |
| 2 | 2017-18 | 3163.16 | 1519.2 | 0 | 0 | 4682.36 |
| 3 | 2018-19 | 9812.91 | 932.86 | 0 | 0 | 10745.77 |
| 4 | 2019-20 | 8007.81 | 904.74 | 203 | 0 | 9115.55 |
| 5 | 2020-21 | 7271.25 | 984.64 | 178.94 | 0 | 8434.83 |
| 6 | 2021-22 | 5965.03 | 386.19 | 6.7 | 6456.6 | 12814.52 |
| 7 | 2022-23 | 9050.84 | 385.78 | 351.28 | 6130.26 | 15918.16 |
| 8 | 2023-24 | 13140.32 | 109.13 | 2090.44 | 5764.78 | 21104.67 |
| | **Total** | | | | | **84337.72** |

*Source:* "Dashboard", Department of Defence Production (DDP), Ministry of Defence, Government of India, figures are as on 1 April 2024 at https://ddpdashboard.gov.in/DefenceExport/Defence_Exports.

While India's growing defence cooperation with the Friendly Foreign Countries (FFCs) have significantly expanded in recent years and reached in to new level of cooperation that include high-level visits, joint military exercises, and training. India's arms exports and MRO activities have added new dimensions to this evolving defence cooperation. It helps the FFCs meet their defence and security needs. However, India's share in global arms market is very minimal. According to *SIPRI* 2022 report, with 0.2 percent share of global arms exports, India ranked 23rd during the period 2017-21. In the 2023 and 2024 reports, however, India did not figure among the top 25 largest exporters of major arms that covered the period 2018–22 and 2019-23 respectively. That means its share in the global arms trade was minuscule, given that the top 25 largest arms exporters together accounted for 98.8 percent in 2019-23.

Nonetheless, India's low share in the global arms market does not represent true potential of its defence R&D and production capacity. In the last few years, India has made significant progress in building a strong military-industrial complex (MIC). It has diversified development of a wide range of defence products, including artillery gun systems, missiles, fighter aircrafts, radar and electronic systems, submarines, tanks, warships and among others. A large number of FFCs have expressed keen interest to purchase some of these products such as Akash missile system, BrahMohs and LCAs. The DRDO has also developed over 160 defence products in the areas of Aeronautical Systems, Armament & Combat Systems, Electronics & Communication Systems, Life Protection Systems, Micro Electronics Devices & Computational Systems, and among others which are available for export to FFCs.[18] Given arms exports by the DPSUs ranged around four percent to 10 percent of their total turnover in the last ten years, the export of these items will significantly increase total arms export value. Therefore, there is immense opportunity for expanding India's role in the global arms market.

The defence sector can be one of the key contributors to its economy and growth in the coming years. In fact, India aims to increase the share of its overall exports in global trade to three percent by 2027 from the current 2.1 percent, and to 10 percent by 2047 by promoting hundreds of Indian brands as global champions.[19] The government's set target of achieving US $ 5 billion by 2025 and becoming a net arms exporter will add significant value to India's economy. Importantly, India's arms exports would strengthen its role in the global affairs, boost its industrial capacity, and reduce the cost of development and production.

## India's Efforts to Reduce Arms Imports

The Government of India under its '*Aatmanirbhar Bharat*' or 'Self-Reliant India' and 'Make-in-India' initiatives have been prioritising to meet its growing defence needs through 'Indigenously Designed, Developed and Manufactured' (IDDM) defence items. As a result, its military expenditure on arms imports from foreign sources reduced from 46 percent of overall expenditure in 2018-19 to 36.7 percent in December 2022.[20] As per *SIPRI* data, India's arms imports declined by 11 percent between 2013-17 and 2018-22. The major factors for decrease in arms imports were diversification and procurement of arms from domestic sources. In this regard, the government had earlier approved 162 proposals worth approximately Rs. 2,51,130 crore (over US $30.738 billion), and in March 2023 over RS> 70,500 crore (over US $ 8.601 billion) for capital procurement from domestic sources. A total of Rs. 4,35,000 crore were given in-principle approval for capital acquisition in FY 2023-24.[21] With the twin objective of promoting self-reliance in defence and defence exports, the defence budget has been increased to a record over Rs. 6.21 lakh crore in FY 2024-25, of which Rs. 1.72 lakh crore allocated for capital expenditure.[22]

The 'Self-Reliant India' campaign has helped the country by encouraging IDDM of defence equipment, thereby reducing the

imports. The government earmarked a record 75 percent of defence capital procurement budget in 2023-24, up from 68 percent in FY 2022-23, towards buying weapon systems and components from local manufacturers. The Department of Military Affairs (DMA)'s fifth Positive Indigenization List (PIL) consisting of 98 items was released which includes high complex systems, sensors, weapons and ammunition.[23] The items will provide sufficient visibility and opportunity to the domestic industry to understand the trend and futuristic needs of the defence forces so that they can create necessary R&D and manufacturing capacity in the country.[24] The DMA had earlier promulgated four PILs consisting of 411 military items and the Department of Defence Production (DDP) has separately notified four PILs comprising of 4,666 items for DPSUs. As per the provisions given in Defence Acquisition Procedure (DAP) 2020, all these items will be procured from indigenous sources in staggered timeline. This will further reduce India's arms import from external sources.

The DAP 2020 with a focus on 'Self-Reliant India' and 'Make in India' provides the highest preference to 'Buy Indian (IDDM)' category of acquisition for boosting indigenous defence capability and reduction of reliance on imports. The government had given approval to 45 defence companies or joint ventures (JVs) operating in the defence sector with foreign Original Equipment Manufacturers (OEMs) for manufacturing defence equipment.[25] The innovations for Defence Excellence (iDEX) scheme was also launched for engaging with the defence R&D institutions, academia, startups and Micro, Small and Medium Enterprises (MSMEs). The iDEX aims to create an ecosystem by promoting innovation and technology development in defence. In this regard, the government earmarked 25 percent of defence R&D budget for private industry, startups and academia led R&D. These initiatives encourage IDDM of defence equipment in the country. The objective is to achieve self-reliance in defence and reduce import dependency for defence and strategic technologies which is important

to maintain its strategic autonomy.

Thus, the Government's efforts to balance between diversification of arms imports and indigenisation through IDDM have yielded positive results for India in the last 10 years. Under the 'make in India, maker for the world' vision, it is now expanding defence cooperation and partnering with major arms exporters in the field of joint development and production of major arms such as BrahMos missiles with Russia, GE F-414 engines for India's LCA MK-2 with US, aircraft engine for India's AMCA fighter jet with France, and Hermes-900 drones with Israel. They are emerging as a crucial partner for India's self-reliant defence industrial and technological ecosystem. The joint development and production of advanced defence technologies like missiles, engines, drones in India would further open up the scope for arms exports to the FFCs and reduce its arms imports significantly. Therefore, its investment in building indigenous defence capacity, innovation and joint collaborations would collectively reduce arms imports and move towards becoming self-reliant in defence. In the evolving geopolitical landscape, new defence and strategic realignments are taking place where India is well positioned to utilise the opportunities to advance its defence and strategic interests.

## Assessment

The trends in the global arms trade indicate that the states, especially in the region of Asia and Oceania, Middle East and Europe, are in race to arm themselves both in terms of quantity and quality. The key drivers for this arms race were the impact of ongoing Russia-Ukraine war, China's growing assertiveness in the Indo-Pacific, the US-China technology war, and crises in the greater West Asian region. Consequently, the states in Asia and Oceana (37 percent), Middle East (30 percent) and Europe (21 percent) imported 88 percent of all arms in 2019-23 to meet their security requirements. In this evolving geopolitical landscape, the US further expanded its dominance in the global arms trade by exporting 17 percent more arms in 2019-23 in comparison to previous five-years. The US together with its Western allies exert considerable influence in the arms trade. Particularly, the US used domestic arms production to supply its allies and partners as the demand for major arms surged amidst geopolitical conflicts. In the meantime, China's arms imports dropped by 44 percent in 2019-23 due to its ability to design and manufacture its own major arms which grown considerably. Its arms imports will further decrease as it continues to develop its industrial capacity to manufacture advanced weapons. In addition, China's emergence as a primary arms exporter to India's neighbours, especially to Pakistan and Bangladesh, have created new security and strategic challenges.

In these dynamic trends, India, which is located in one of the most challenging security environments surrounded by two nuclear armed powers, China and Pakistan, has to rely on both arms imports from foreign sources and procurement from locally manufactured defence items to deal with the traditional and non-traditional threats and challenges to its national security. The *SIPRI* data reflects this changing reality wherein India is gradually diversifying its arms import from various foreign sources, which is very important for de-risking the supply chains. As a result, the share of India's arms imports from Russia, a trusted strategic partner, is progressively declining, while share of the Western suppliers, especially France and the US, are increasing. This shift is quite evident in its new orders as well, many of which are placed with Western suppliers rather than with the Russians. But India and Russia continue to maintain strong defence and technological ties, despite the recent challenges.

Importantly, India's arms imports were primarily driven by its objective to address immediate security threats arising from its two nuclear armed neighbours in addition to technological challenges and rapid technological changes that are taking place and impacting the nature of warfare. The Government under the 'make in India' and 'self-reliant India' initiatives is setting up a defence manufacturing ecosystem in the country to meet its demand for major arms and also partner country's needs. Under the "make in India, make for the world" vision, it has brought favourable policy measures to attract global defence companies to manufacture in India, including liberalised FDI policy allowing up to 74 percent under automatic route and up to 100 percent through government route; simplification of the 'Make' procedure; establishment of two defence corridors and creation of a 'Defence Investor Cell'.[26] The focus has been on joint development and production of cutting-edge defence technologies in India.

In the years ahead, India is expected to further strengthen the domestic manufacturing of major arms under the IDDM programme and bolster its efforts to jointly develop and manufacture of defence items with foreign partners, including jet engines, missiles, military drones and other emerging technologies like AI driven capabilities that would facilitate it to integrate in to the global value chains. Notably, some of the world's largest arms importers such as Saudi Arabia, Egypt and UAE have expressed interest to buy India's weapon systems. The Indian companies have also emerged as an integral part of US' arms supply and value chains. It is thus making notable progress that would help establishing a robust defence and strategic technologies manufacturing ecosystem in the country. With its current defence R&D and manufacturing capacity, huge talent pool as well as geopolitical advantages, it is uniquely positioned to become self-reliant in defence and play important role in the global arms trade.

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