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5 countries account for 80% of defence trade, need to correct the imbalance to increase India's influence: Defence Secretary

By Garima Bora, ET Online Last Updated: Sep 23, 2022, 10:24 AM IST

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Synopsis

India had embarked on a large initiative of building indigenous capabilities of aircraft manufacturing for defense.



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India needs to believe in its homegrown technologies and there is an urgent need to focus on independent and indigenous capabilities, said **Ajay Kumar**, Secretary, **Ministry of Defence, Government** of India.

Speaking at the **Public Affairs Forum** of India's (PAFI) 9th Annual Forum 2022, Kumar said "we did not trust our ability to do well." He hailed the rise of

electronics manufacturing along with the recent upsurge in medical equipment manufacturing because of COVID-19. He further added that the five permanent members of the **United Nations Security Council** (UNSC) account for 80 percent of global military production and this imbalance needs to be taken care of as India is eyeing a permanent seat in **UNSC**.

India had embarked on a large initiative of building indigenous capabilities of aircraft manufacturing for defense.

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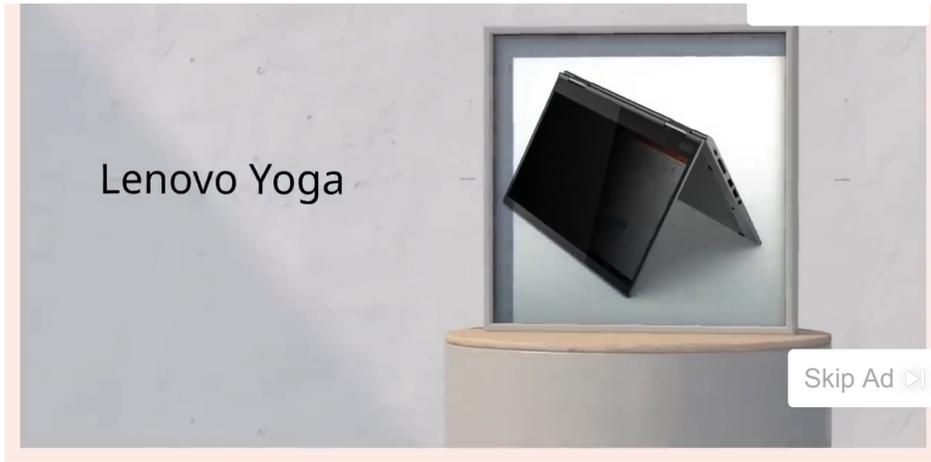
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The one thing that pandemic pushed countries towards was to improvise and pivot, and a lot of which happened in India. Giving such an example, Kumar said that one challenge for the country has been the lack of self-belief. “We are not willing to buy something which we will produce,” he said.

Citing a story during the pandemic, the official talked about his stint at MeitY where he met a company called [Skanray Technologies](#), which manufactured ventilators. At the same time, he mentioned India had started incentivizing electronics manufacturing.



Ajay Kumar



“Skanray was one company we had assessed and found to be good and we even supported them. Then one day they came and told us they were selling ventilators to eight countries in the world. However, in India, they are not recognized,” he said.

The official had then taken the issue up with the Health Ministry. He found that there was the [Drugs Controls Act](#), which regulated medicines and medical equipment. Because of a lot of regulatory issues, many such companies were not properly recognised in India and could not sell.

Kumar added that until 2020 [Skanray](#) ventilators were not sold in India. During Covid, when every country was looking for ventilators, companies like Skanray and others burst into the scene with their homegrown tech

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“In defense, we find the same story. We have produced items which have been there for a while, but refused to get accepted. We finally inducted the Arjun tanks, but they have sat there on the anvil for nearly four, five years,” he said.

He added we need to believe that our products are good, if not better than any other country in the world- both in terms of manufacturing and innovation.

“We may have to leapfrog certain areas of technologies where over the years we have been lagging, but in terms of innovation, we can definitely do much better,” he said.

Kumar says only a handful of countries around the world are in defense production and 5 countries in the world account for 80% of the [defense trade](#). “These five countries are the five permanent members of the Security Council. The aspiration for India to become a country with influence in the next 25 years is closely linked to the development of defence manufacturing capabilities. In sheer size the sector may not be as big as electronics, but the overall influence that the defense industry creates in the global sphere is huge,” said Kumar.

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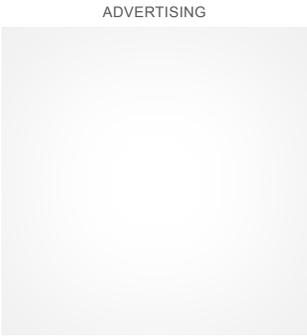
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NEXT STORY

Auto suppliers feel the green squeeze as carmakers get clean

By Nick Carey, Victoria Waldersee and Giulio Piovaccari, Reuters Last Updated: Sep 26, 2022, 11:19 AM IST

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Synopsis

All major carmakers have committed to green targets, seeking to purge dirtier materials from their supply chains to satisfy regulators and investors as they transition to electric vehicles (EVs).



Many suppliers are consequently making large investments to green up their acts, from developing recyclable parts to hooking up their businesses to renewable energy.

TAMWORTH (ENGLAND): The [auto industry](#)'s drive to a greener and cleaner future is a treacherous road for companies in its beleaguered supply chain. Only the strong and the shrewd may survive.

Many auto suppliers, already squeezed by rampant inflation and energy prices, say they have little choice but to shoulder the extra costs of making their components sustainable to meet carmakers' environmental targets.

"If you don't, you're not going to have a business in five or six years supplying major carmakers," said Shane Kirrane, commercial director at Autins Group, which has plants in Britain, Sweden and Germany that make acoustic and thermal insulation for cars.

All major carmakers have committed to [green targets](#), seeking to purge dirtier materials from their supply chains to satisfy regulators and investors as they transition to [electric vehicles](#) (EVs).

[BMW](#), for instance, expects all of its battery and many of its steel and aluminium providers to produce materials made using renewable energy, while Volvo is targeting 25% recyclable plastic in its cars by 2025.

Many suppliers are consequently making large investments to green up their acts, from developing recyclable parts to hooking up their businesses to renewable energy, according to interviews with more than a dozen industry

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players.

At the same time, many say they have little leeway to raise the prices they charge big automakers, which are themselves laser-focused on costs as they shell out tens of billions of dollars to reinvent themselves for a lower-carbon era.

"We use the term disruptive all the time, but it's much more than just disruptive," said Joe McCabe, CEO of researcher AutoForecast Solutions. "We're going to see a real big shakeout the next five, 10 years in the [auto supply chain](#)."

Philadelphia-based AutoForecast compiles auto industry production estimates and advises suppliers on whether the requests-for-quotes (RFQs) they receive from carmakers are based on realistic assumptions for vehicle production volumes.

"Suppliers are being asked to develop new technologies to support EVs and invest in a greener supply chain with (high) volumes we don't believe are obtainable based on the actual RFQs," McCabe added. "But carmakers are also telling suppliers: 'If you want to be part of this new green revolution, give me the best price possible so I don't go to your competition'."

A Monumental Task

Carmakers are often reluctant to discuss contractual relationships with suppliers.

[Mercedes-Benz](#), which aims to extensively use recyclable material and "green" steel made using renewable energy in its cars, told Reuters it was fully aware that going to [zero emissions](#) was "a monumental task" for suppliers.

It said that it planned to reach this goal collaboratively, including providing training to suppliers or shared research and development.

Volkswagen, targeting a 30% reduction in CO2 emissions for its vehicles including their supply chain, said it has a collaborative relationship with suppliers, citing a joint programme it created to tackle rising energy prices, without providing details.

Going green is costly for even the biggest suppliers, such as American Swiss connector maker TE Connectivity, according to its chief technology officer Ralf Klaedtke. The company, which is worth about \$39 billion, launched its own sustainability drive in 2020 and is working on recyclable products with carmakers including Volkswagen, Volvo and BMW.

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"For smaller suppliers, the challenge is even more severe," Klaedtke said. "The suppliers that don't qualify for sustainability will be ruled out of the procurement process."

For Britain's Autins, which had revenue of about 23 million pounds (\$26 million) for the fiscal year ending September 2021, one part of the green solution is to shift to 100% renewable energy later this year, according to CEO Gareth Kaminski-Cook, speaking at the company's plant in Tamworth, central England.

He said this would cost his company several thousands of pounds more per year - the cost of building out infrastructure to connect renewable energy to the grid is passed on to business customers. Eventually, though, those bills will come down.

The publicly-traded company has also been pursuing its own green targets to satisfy shareholders.

Autins, whose customers include Volkswagen and Jaguar Land Rover, has invested about 50,000 pounds in developing a recyclable insulation material that should be ready around the end of 2022, Kaminski-Cook added.

Killed our margins

Plastic and rubber component maker Sigit, with annual revenue of around \$200 million, spent 10 million euros in 2019-20 on a research centre in Turin that has developed a recyclable thermoplastic composite bracket 90% lighter than the previous metal part.

CEO Emanuele Buscaglione said supply-chain problems that began during the pandemic plus soaring costs had "killed our margins" and "created the perfect storm" for the industry.

The Swiss-Italian company spent three years developing the bracket and now has its first contract, for vans made by Stellantis, the world's No. 4 carmaker, Buscaglione added.

"We are trying to concentrate the few resources we have available on innovation," said the CEO. He added, though, that Sigit's carmaker customers had been unwilling to pay any more for new, greener products so far, even the luxury brands.

The challenge of passing on added costs to customers is "anything but trivial," Buscaglione says.

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Suppliers are also feeling the strain in Germany, Europe's biggest car market.

M. Busch, which makes cast-iron parts including brake discs and gearboxes in North-Rhine Westphalia, wants to shift from burning coke to "biocoke" made from organic waste, use renewable energy and replace gas for melting the metal with hydrogen, owner Andreas Guell said.

But the organic waste is hard to find, there is not enough hydrogen fuelling infrastructure to meet his needs while renewable energy is still expensive compared with conventional power, he added.

Guell says carmakers only want to work with suppliers who use green energy, leaving him in a tight spot.

German aluminium supplier Gerd Roeders, the owner of G.A. Roeders, which provides material for Volkswagen and Continental, wants to shift to a hydrogen-and-gas mix from just gas, but says government and carmaker support is needed to build green infrastructure.

"To be innovative, the supplier industry needs money," Roeders said. "We feel a bit stuck."

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