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UTKARSH BHARDWAJ

Make in India, Owned by Capital

The Neoliberal Restructuring of India's Defence Sector

I. INTRODUCTION: DEFENCE, SOVEREIGNTY AND CLASS POWER

In all societies divided by class power, the organisation of defence – from inputs, production and deployment – reflects the balance of social forces. In the context of a world structured by imperialist domination, most independent nations saw military capability as a core pillar of political autonomy. They recognised military dependence on foreign actors to be a direct constraint on independent foreign policy, and a source of exposure to political and economic pressure and strategic blackmail. In India and other newly independent nation-states in the 20th century, the question of military independence assumed a sharper political meaning as they sought to escape alignment to competing blocs. Therefore, defence production was envisioned as a core sovereign function of the state.

The broader project of state-led development that independent India adopted (with roots in the Bombay Plan of 1944–45) applies here, but that project itself was also a reflection of the interests of the domestic capitalist class of the time, which neither had the technology nor the financial capability to invest in such sectors as defence-(which is characterised by high research costs and long gestational periods). Defence public sector undertakings and ordnance factories were thus conceived as strategic institutions, which in the process, also became substantially insulated from the logic of private accumulation and kept strategic military production out of private hands.

This conception stands in sharp contrast to that of today. The current government increasingly treats defence production as no different from other markets, i.e., another site for capital investment and shareholder returns. The defence sector holds a natural allure for private capital. Its structural features can make it a captive market. On the demand side, a single buyer (the Ministry of Defence) provides guaranteed politically protected contracts which are insulated from usual market cycles. On the supply side, high entry barriers, such as security clearances and licenses, restrict competition from those deemed unfavourable to the state. The latter dynamic is especially beneficial to capitalists who have significant influence on the government.

II. EVOLUTION OF INDIA'S DEFENCE INDUSTRIAL BASE: FROM STATE-LED DEVELOPMENT TO NEOLIBERAL OPENING

In the decades following independence, India's approach to defence production was shaped by the hard lessons learnt from two centuries of colonial rule and by the emerging realities of a world influenced by the Cold War. It was understood that external

control over the military capability would keep the political independence extremely fragile, as arms imports were among the central instruments used by the imperialist powers to exercise leverage over newly independent states. From the 1950s through the 1980s, defence production was treated as an integral component of national development and sovereignty. Therefore, in order to meet the defence requirements indigenously, defence public sector undertakings (DPSUs) such as Hindustan Aeronautics Limited, Bharat Electronics Limited, Bharat Dynamics Limited, and Bharat Earth Movers Limited were established along with a network of ordnance factories. They were conceived as strategic assets of the state to ensure continuity of supply, technological absorption, and long-term capability development. However, in the context of weaponry acquisition, India was mostly reliant on imports.

India's strategic partnership with the Soviet Union and engagement with other non-aligned countries provided access to technology and platforms without subordinating its interests to imperialist powers like the USA and Britain. The USSR became India's largest defence supplier from the 1960s, providing equipment on concessional credit and soft-currency terms. The 1962 MiG-21 agreement was a landmark agreement, where Moscow provided India with a full transfer of technology for licensed production, which it had denied to even China. This led to the establishment of MiG factories in India. Similarly, licensed production of T-72 tanks, BMP infantry combat vehicles, and naval ships at Visakhapatnam were initiated. The 1971 Indo-Soviet Treaty of Peace, Friendship and Cooperation also guaranteed military and political support. Because of the pressure created by the lucrative Soviet deals, even Western purchases, such as the UK's Jaguar aircraft came with technology transfer, resulting in the domestically developed DARIN (Digital Attack Ranging Inertial Navigation) technology, which made the HAL-manufactured Jaguars almost completely indigenous. Later, the Mirage-2000 deal with French Dassault Aviation also included a transfer of technology, which granted HAL with the rights to indigenously produce an additional 110 aircraft, although HAL never went ahead with indigenous production. Diversified sourcing reduced vulnerability to sanctions and political pressure, and enabled domestic production under licensed manufacturing.

This state-led framework had certain problems which were later blown out of proportion by its critics, such as persistence of technological gaps in high-end systems and components, cost overruns due to bureaucratic delays, rigid production process and chronic underinvestment in research and development. Despite these problems, the Defence PSUs were able to build genuine autonomy in platforms like missiles, helicopters, and radar. With the arrival of neoliberal reforms in the early 1990s, these shortcomings were portrayed as intrinsic inefficiencies of public ownership, to lobby for the entry of private players in the sector. These narratives provided the ideological bedrock to the process that gradually opened defence production for private capital.

Under the 1991 New Economic Policy, defence became one of the only three domains that were exclusively reserved for the public sector. Defence manufacturing still required compulsory industrial licensing which preserved the position of DPSUs and ordnance factories.

Nevertheless, the logic of liberalisation (including privatisation, deregulation, and the retreat of the state) begun to expand and by 2001, Vajpayee's government formally opened defence production to 100% domestic private participation and permitted

foreign direct investment (FDI) up to 26% via the government approval route with mandatory licensing and security vetting. During this period the private sector's entry into defence was framed as complementary and not substitutive. From 2001 to August 2014, total reported FDI inflows in the sector were Rs.1382 crores, as reported by Rajnath Singh in 2022 in the Rajya Sabha. The 26% cap came with conditions of security clearances and a small, uncertain order book which made equity investment unattractive for foreign OEMs. The Defence Offset Policy was introduced in Defence Procurement Procedures (DPP) 2005 by the UPA government and it was the primary instrument to nurture private Indian firms in manufacturing and supply lines. It mandated foreign vendors in large contracts (above Rs.300 crore) to invest at least 30% of the contract value back into India's defence sector. These offsets could be discharged through direct purchase from Indian enterprises, equity investment in joint-ventures (JVs), or through technology transfer. By 2012, about 17 offset contracts worth approximately USD 4.3 billion had been signed. This policy framework catalysed the entry of the first wave of private players, but merely as junior partners or Tier-1/Tier-2 suppliers within a PSU-dominated ecosystem. Contrary to popular belief, foreign Original Equipment Manufacturers (OEMs) established a presence primarily through these offsets and small-equity JVs, and not through large FDI. Lockheed Martin, Boeing, BAE Systems, and Israel Aerospace Industries (IAI) are some of the companies that entered the market through JVs where they controlled the technology and core Intellectual Property Rights (IPR). These arrangements are usually designed to ensure that they only yield just enough technological absorption to maintain a commercial relationship, but never become a threat to the supplier's competitive advantage in future.

The strategic nature of defence imposed limits on corporatisation, but the general alignment with the broader neoliberal economic framework was clear. Hence, by the time the Modi government took office in 2014, the groundwork for deeper privatisation was already laid. The ideological arguments were already normalised, private capital had secured a foothold, and institutional mechanisms such as offsets and licensing were also in place. The developmental state in India was always a contested formation reflecting a specific balance of class forces (the bourgeoisie needing state capacity it could not itself build), and its dismantling is a shift in that class balance once big capital accumulated sufficient strength to demand direct control. But defence production was yet to be transformed into an open playground for big capital.

III. MODI REGIME AND THE ACCELERATION OF DEFENCE PRIVATISATION

The last 11 years of the Modi Government have served as a super-catalyst for the role of private players in India's defence sector, transforming it into a terrain of aggressive corporatisation. This was a conscious policy orientation which had firm roots in the organic relationship between the present regime and big capital. With an assured state demand, long-term contracts, and significant insulation from market volatility, Defence has now started emerging as a new avenue for big capital accumulation. A CRISIL analysis (2025) estimated that a basket of private defence firms would increase their revenues by 16–18% in FY26, with their operating margins remaining stable around 18–19%, and financed mostly through internal accruals. It is expected that the assured

demand and policy push will increase the order books of these firms from Rs.40,000 crore to approximately Rs.55,000 crore by FY26. Company-level data also reiterate this. For example, Bharat Electronics Limited (BEL) and HAL, hold massive order books. BEL alone holds around Rs.75,600 crore, roughly three years of revenue. This demonstrates the sheer scale of the guaranteed gigantic market that private players are now eyeing to capture. Policies like DPP, DAP (Defence Acquisition Procedures), positive indigenisation lists, and 'Buy Indian' prioritisation guarantee preferential access to MoD orders for domestic private firms and it also effectively eliminates foreign competition for them.

Audit and oversight bodies have consistently pointed to repeated problems of cost escalations, missed deadlines, and concerns over quality, the very problems exaggerated by the critics of the state-led defence sector. Despite that, punitive action against suppliers, particularly large private firms, is absent or at best, minimal. In a typical civilian market such failures could impose severe financial consequences. Additionally, programmes such as the Defence Industrial Corridors, Innovations for Defence Excellence (iDEX), and dedicated public R&D allocations absorb a large share of early-stage risks through co-funding, grants, and access to testing facilities. At the same time, once systems move into serial production, private firms extract all commercial gains. This mechanism saw further expansion through the Technology Development Fund (TDF) launched in 2016 and the ADITI (Acing Development of Innovative Technologies with iDEX) scheme, launched in March 2024. Both schemes are designed to channel public funds into the task of private-sector defence innovation and prototype development.

Systematic privileging of large corporate houses and the weakening of regulatory and democratic constraints are the features that stand out as highlights of the Modi regime in all sectors. The defence sector is no exception. It provides high entry barriers that exclude smaller players, secrecy associated with 'national-security' that is used to hide and shield decisions from public scrutiny, and a procurement structure in which most risks are borne by the state. The exchequer has to regularly absorb the overruns of cost, delays, and technological failures, but the private firms enjoy guaranteed orders and protected margins. Access to defence contracts itself becomes a source of rent, as intellectual property in most cases is owned by the private firm or foreign OEM partner even though the research and development costs were borne by public funds.

Liberalisation of FDI in Defence was the backbone of this new strategy. The Modi government dismantled the FDI regime of the previous era in an organised manner. In November 2015, the FDI cap was raised from 26% to 49%, and the route up to 49% was made automatic (requiring no prior government approval). But then in September 2020, the government increased the FDI limit up to 74% via the automatic route for new industrial licences. Even 100% FDI was permitted via the government route for the deals where the investment is 'likely to result in access to modern technology'.

By 2025, a cumulative FDI figure of approximately Rs.5,077 crore was achieved in 'defence and aerospace' and a significant portion of this amount flowed in after the 2020 reforms. According to official data, cumulative FDI was around Rs.3,454 crores till June 2020. This means approximately Rs.1,623 crores were added in the five years following the 74% automatic route, representing a growth of nearly 196.83% compared to the pre-2020 period (PIB statement). In the Union Budget 2024–25, the government also announced a Rs.1,00,000 crore deep-tech (venture capital like) corpus structured as a

fifty-year interest-free loan facility to support sunrise sectors including defence and aerospace. It further solidified the long-term state-backed capital provisioning for the private industry in defence.

In 2023, we saw the approval of the first major project under the 100% FDI route when Saab FFV India (Sweden) was permitted to set up a facility in Haryana with 100% FDI for the manufacture of Carl-Gustaf M4 multi-role rocket launchers, at an estimated investment of Rs.500 crore. This set the precedent for full foreign ownership and control in 'high-tech' areas. Other proposals, such as Saab's offer to produce the Gripen fighter under a 100% FDI model remained under consideration for a long time only to be replaced by Dassault's offer of 114 Rafale fighters under a somewhat similar deal, signalling the government's openness to ceding complete ownership of critical platforms to foreign capital in the name of 'modern technology access.' This move was justified in the name of attracting technology and investment, but the core technology and IP of the weapon system was not transferred to India. This pattern continued–in 2025, 36 Rafale-Ms were procured for carrier-based operations of the Indian Navy, and in February 2026, an approval was given for the purchase of 114 Rafale Jets from France, again bypassing the bidding process, without any transparency, and without source code transfer–something that will complicate the integration of these jets with the diversely sourced platforms that IAF operates. The inability to access and modify source code cripples India's ability to upgrade its own platforms independently.

The introduction of the Strategic Partnership (SP) Model was a similarly important juncture. The SP model was formalised in the DAP 2016 and then it was subsequently refined and presented as a mechanism to create 'national champions.' It effectively reserved the production of important weapons systems platforms, like fighter aircraft, helicopters, submarines, and armoured vehicles, exclusively for Indian private companies that had partnerships with foreign OEMs. The criteria of this model were designed to filter a handful of large conglomerates, like Tata, Larsen & Toubro, Mahindra, and later Adani, which institutionalised an oligopoly. PSUs, which possessed decades of experience in these very fields, were not given any lead roles. The most prominent success of the SP model is the case of the C-295 transport aircraft project. In 2021, a contract was signed for 56 aircraft for the IAF. Sixteen of these were to be delivered in flyaway condition from Airbus' Spanish facility, while 40 will be manufactured in India by the Tata-Airbus joint venture in Vadodara. This was celebrated and propagated as a crucial milestone of 'Make in India.' However, here too, the core design, engineering, and intellectual property is with Airbus, and Tata Advanced Systems (TASL) functions as the prime contractor and integrator. The actual value addition in this process happens at the stage of assembly and systems integration, not original design. Here, the private assemblers are a part of the problem because they have less leverage to demand real technology transfer than what PSUs have. Without actual technology transfer, PSUs could threaten to walk away or develop indigenously, whereas assemblers or suppliers just want the contract. The project involves a supply chain of over 250 Indian companies, mostly MSMEs, playing the role of Tier-2/3 suppliers dependent on TASL's intermediation.

Indian capital performs largely final assembly, systems integration and component manufacturing. Indian big capital, like the TASL, extracts surplus from labour, and further rent from MSMEs. MSMEs have to operate under cost pressures that minimise

their share of surplus value. Thus, even though production takes place domestically, surplus flows upward and outward, creating a dependent, corporate-led assembly ecosystem.

A major breakthrough moment appeared in the picture with the corporatisation of the Ordnance Factory Board (OFB). OFBs were a unified public sector organisation which owned and operated 41 factories that employed a workforce of over 70,000 employees. In 2021, the corporatisation of the 200+ year-old OFB, was announced by the BJP government, splitting it up into seven new Defence Public Sector Undertakings (DPSUs). The justification behind the act was to bring 'efficiency and accountability,' but the results have been nothing short of devastating. A sharp fall in the order books of these new entities was highlighted in a parliamentary panel report. For example, the order books of Advanced Weapons and Equipment India Limited (AWEIL) dropped from Rs.1,915 crore in 2023–24 to Rs.385 crore. Troop Comforts Limited (TCL) reported zero orders for the years 2026 to 2028. This was a conscious policy outcome of an effort that aims to marginalise the public sector manufacturing capacity, to clear the field for private capital. Changes in procurement procedures further reinforced this trajectory. By introducing categories like 'Buy Indian' and 'Buy Indian-IDDM' – which prioritised defence purchases from private vendors providing 50–60% of indigenous content – the Defence Acquisition Procedure (DAP) 2020 institutionalised the preference for private capital. Furthermore, DAP's other categories (Make I & II) transferred public funds to private companies in the name of subsidising development costs or by guaranteeing future orders. The DPP-2006's 'Make' category allowed industry to develop systems with up to 80% project-specific government funding. But the process was MoD-controlled.

The Positive Indigenisation Lists (PILs) were introduced in DAP 2020. Since then, the government has issued multiple PILs that prohibit the import of more than 4,666 items. These lists, which ranged from complex systems to simple components, created a captive market for the domestic industry. While advertised as a measure of self-reliance, the lists' primary effect is to guarantee demand for private Indian firms, which further reduces their market risk. Subsequent versions of the Defence Acquisition Procedure placed an emphasis on 'Make in India' categories that privileged private manufacturing, and simultaneously narrowed the role of defence public sector undertakings. Well-connected corporate players are better positioned to navigate the system riddled with procedural complexity, frequent revisions, and discretionary decision-making. The role of the state went through a major change, as it devolved from being a producer and planner to a facilitator and buyer. There has also been a rapid rise of a set of favoured corporate houses within the defence sector. The companies that reaped the maximum benefits out of these policy changes and procurement decisions included Adani Defence, Tata Advanced Systems, and L&T Defence. Their expansion into defence manufacturing was so swift that it appeared to have outpaced the development of comparable technological capabilities.

In 2018, Narendra Modi announced the creation of two defence industrial corridors in Uttar Pradesh and Tamil Nadu, respectively. These corridors were advertised by the central government as engines for development and as platforms of employment generation in the region. But behind the curtain of advertisements, they were primarily serving the interests of the capitalists by providing a front for extensive land acquisition, infrastructure subsidies, and tax concessions. The Uttar Pradesh Defence Industrial

Corridor has six nodes – Aligarh, Agra, Jhansi, Kanpur, Chitrakoot, and Lucknow. The state bears the cost of creating these industrial enclaves, where it socialises the infrastructure costs, while private firms reap the benefits of subsidised land and utilities. For example, in February 2025, a newly incorporated company (June 2024) called Vijayan Trishul Defence Solutions Pvt Ltd (VTDS), was allocated a 20-hectare plot in the Jhansi node by UPEIDA for a small-calibre weapons and ammunition plant. The company is in its pre-production phase, with first output expected only in June 2026. Yet, it has already secured land and is leveraging the corridor's incentives. It has also signed an MoU with Poland's WB Group for the production of Warmate loitering munitions. This exemplifies how the corridors are designed to fast-track private entry, even for firms with no prior track record. Similarly, the Tamil Nadu corridor was inaugurated in 2019, with nodes in Chennai, Hosur, Salem, Coimbatore, and Tiruchirappalli. It capitalises on the existing industrial base of the state, provides subsidies and incentives to attract private defence manufacturers and in the process, it further expands the role of private capital in the region's industrial landscape.

These developments underline the aggressive defence privatisation under the Modi government. Between 2014 and 2025, total defence production nearly tripled from ₹46,429 crore to ₹1,50,590 crore, with the private sector's share rising to 22.56% (₹33,979 crore) by 2024–25. As per the MoD, over 180 contracts worth ₹1,96,000 crore were signed with Indian industry between 2014 and 2019, a significant portion going to private firms like Tata Power SED, Tata Motors, L&T, Ashok Leyland, Bharat Forge, MKU, SMPP, Alpha Design, and Tech Mahindra. The state has expanded the market, deliberately shifted a growing share to private capital and allowed them to appropriate profits, while absorbing costs for R&D, infrastructure, and policy risks. In this way, strategic control has weakened, public sector institutions undermined, and democratic oversight has been severely curtailed.

IV. MAKE IN INDIA DEFENCE: CORPORATE BENEFICIARIES AND THE CLASS PROJECT DISGUISED AS NATIONALISM

The Modi regime propagates the 'Make in India Defence' as a symbol of self-reliance, innovation and reduced import dependence, using patriotism to shield policies from scrutiny. Yet the myth of indigenisation obscures continued reliance on imported engines, avionics, sensors, propulsion systems and other critical subsystems. Despite the rhetoric, India remains the world's second-largest arms importer (second only to Ukraine, which is receiving a large supply of weapons from the West), accounting for 8.3% of global imports (SIPRI data). A diversification of suppliers has indeed taken place in the recent past; however, instead of reducing dependence, it has merely shifted and fragmented it. After over 60 years of R&D, India is yet to indigenously produce a jet engine. The fifth-generation Advanced Medium Combat Aircraft (AMCA) is perhaps the most ambitious among all the ongoing defence projects, but even its development remains reliant on foreign partners like Safran (France) for its engine.

The scale of private sector expansion under the BJP regime is better understood in quantifiable terms. The defence production ecosystem now includes around 430 private companies holding defence manufacturing licences and roughly 16,000 MSMEs that are

embedded in the supply chains. 61 companies received 81 industrial licences in 2014–15 alone.

Adani Group

Several large conglomerates have consolidated their position within this expanding and policy-enabled landscape. The most dramatic ascent has been that of the Adani Group through Adani Defence & Aerospace. Prior to 2014, the group's presence in defence was negligible as its core strengths were in ports, logistics and commodities. Within a few years, it repositioned itself across unmanned systems, missiles, ammunition, small arms, aerospace parks and maintenance, repair and overhaul (MRO), and even announced planned investments of about Rs.1.8 lakh crore in December 2025 for systems like missiles, AWACS platforms and other unmanned systems. In unmanned systems, it secured a significant share of the Rs.30,000 crore Medium Altitude Long Endurance drone contracts, where it shared space with Tata via collaboration on the Hermes platform. Adani's 2024 strategic cooperation agreement with EDGE aimed to boost joint development and global marketing of missiles, ammunition, unmanned aerial and ground systems, counter-drone platforms, electronic warfare and cyber technologies, alongside small arms and ammunition facilities that are positioned to benefit from indigenisation lists. In aviation MRO, the acquisition of a company called Air Works (it services platforms such as the Navy's P-8I, Indian Air Force 737 VVIP aircraft and Mi-17 V5 conversions) and the subsequent 2026 acquisition of Indamer Technics Pvt Ltd further strengthened its footprint in high-value maintenance segments. Even as the contracts were flowing, the Directorate of Revenue Intelligence investigated the group over alleged customs duty evasion of Rs.770 million on missile component imports through disputed exemptions but unsurprisingly, no major punitive consequences followed the investigation.

Tata Group

Through its subsidiaries like Tata Advanced Systems Ltd (incorporated in 2007), Tata Power SED and Tata Motors Defence, the Tata Group has transitioned from offset-linked supplier to strategic partner and prime contractor. It is counted among some of the most visible and profitable private aerospace programmes. The C-295 transport aircraft project involved Tata leading the final assembly of 40 aircraft in Vadodara(India's first private military aircraft assembly line). Tata has been manufacturing major aerostructures for the C-130J Super Hercules(Lockheed Martin) and, from 2026, it will manufacture Rafale fighter fuselages under partnership with Dassault, moving into higher-value manufacturing, although the core intellectual property still remains foreign-held. It has also secured numerous contracts, including for airfield infrastructure modernisation (including MAFI Phase-II), battlefield and air-defence radars reportedly around Rs.1,200 crore for certain systems, and, in 2025, a share of Rs.6,900 crore worth of contracts alongside Bharat Forge for ATAGS artillery guns and 6×6 high-mobility gun-towing vehicles. Through Tata Motors and Tata Power SED, the group has received a large number of Army orders for logistics vehicles, communications, C4I systems and radar networks.

Other Large Private Firms

Larsen & Toubro (L&T Defence) is an example of an engineering conglomerate turned defence system integrator. Drawing on internal accruals and DRDO partnerships, it secured a Rs. 4,300 crore contract for 100 K9 Vajra-T 155mm tracked self-propelled guns in collaboration with Hanwha Defense. Its portfolio spans across warship construction, Scorpene submarine hull sections, missile launchers, and the recent 2024 contracts for Close-In Weapon Systems and high-power radars which are worth several thousand crore rupees.

Through Mahindra Defence Systems and Mahindra Aerospace, the Mahindra Group has consolidated its presence in land systems, naval craft and aerostructures. It secured a Rs. 1,056 crore contract in 2021 for 1,300 Light Specialist Vehicles for the Army, it also participates in the M777 Ultra-Light Howitzer ecosystem and offset-linked programmes, and holds multiple patrol boat and offshore vessel contracts, in addition to the capabilities in avionics and air-traffic management radars.

Bharat Forge (via Kalyani Strategic Systems) co-developed the ATAGS artillery system with DRDO and secured major contracts alongside Tata, where it emerged as a prominent supplier of artillery and ammunition.

Other diversified entrants include Godrej Aerospace and Godrej & Boyce in missile, space and aircraft components; Ashok Leyland Defence and Tata Motors in military trucks, mine-protected and light armoured vehicles; JSW Defence and Jindal Defence in armour plate and specialised steels; MKU and SMPP Pvt Ltd in ballistic protection. SMPP alone secured Ministry of Defence orders exceeding Rs.1,000 crore, with exports to more than 20 countries.

At the lower end of the spectrum, the iDEX, ADITI and TDF ecosystem has catalysed numerous startups and MSMEs in drones, AI, robotics and autonomous systems. iDEX has funded over 100 projects, and by October 2025 its winners had secured 26 procurement contracts worth over Rs. 1,000 crore with the Armed Forces. With a Rs. 750 crore outlay for 2023–26, ADITI aims to develop 30 deep-tech technologies, offering grants of up to Rs.25 crore per innovator and covering up to half of the project costs. The Technology Development Fund has sanctioned 77 projects worth over Rs. 300 crore, with more than 70 per cent awarded to startups and MSMEs. Firms such as ideaForge, Tonbo Imaging, Sagar Defence and NewSpace Research & Technologies are examples of the post-2014 startup wave within an expanding and profitable defence landscape.

The private sector's share in indigenous defence production is around 23%, but it contributes to over 64% of the total defence exports of the country. In 2024–25, out of the total defence export value of Rs. 23,622 crores, the private sector captured a lion's share of Rs. 15,233 crores whereas the DPSUs accounted for Rs. 8,389 crores only. This figure shows how the private firms are not only capturing a growing share of the assured domestic market (funded by the public exchequer) but are also using that scale and experience to secure entry into export markets. The profits from these exports accrue entirely to private shareholders, even though their capability was built on the back of state-guaranteed orders and public subsidies. 'Make in India Defence' highlights how the dynamics of dependent capitalist integration redefine terms like 'self-reliance' to mean domestic participation in global value chains, rather than control over them. Perhaps the only achievement of this redefinition is the fact that it lowers the threshold of what counts as national capability. Strategic questions (Can we design our own engine? Can we upgrade our own platforms without foreign assistance? Are we free from the threat

of sanctions?) are being reduced to their managerial aspects of logistics and assembly. The government has reframed the political choices about sovereignty as technical necessities of 'efficiency' and 'global integration.'

The Indian Navy's fleet stands as a testament of the success of public-sector-led defence production. The majority of warships currently in operation with the Indian Navy have been indigenously manufactured. This includes complex platforms like aircraft carriers, nuclear-powered submarines, destroyers, frigates, corvettes, etc., all manufactured by or in the leadership of public-sector shipyards like Mazagaon Docks, Cochin Shipyard, Garden Reach Shipbuilders, Goa Shipyard, Ship Building Centre and Hindustan Shipyard, to name a few. These public-sector shipyards have been quietly indigenising India's naval fleet at a time when the majority of other defence purchases are happening through foreign vendors or in private sector partnerships with them. After delivering immensely successful projects – including INS Vikrant (indigenous aircraft carrier) and INS Aridhaman (the most advanced indigenous nuclear submarine) – and possessing a brilliant track record, this industry is also being slowly thrown to the wolves. The Strategic Partnership model has now sought to bring private players like L&T into submarine construction (the Project-75I programme), to displace the very shipyards that built this indigenous capability.

Private capital operates in the space available between the Indian state and global arms manufacturers. These relationships lead to an interesting kind of dependency where the final product has an Indian flag painted on it, but the control over its technology, upgrades, and future development is in external hands .

An important ideological foundation to strengthen and sustain this arrangement is provided through militarised nationalism that the regime often deploys in its rhetoric to silence criticism and delegitimise dissent. Any questioning of defence deals, criticism of the privatisation of ordnance factories, or demanding accountability in procurement processes is simply portrayed as an attempt towards undermining the armed forces or even weakening the nation. Using this ideological manoeuvring, the government presents the policies that benefit a narrow stratum of the corporate elite, as expressions of collective national will. The class divisions which are inherent in the process get blurred, and material analysis is substituted with emotional identification. This nationalism also erases labour from the discourse. If at all the regime decides to answer the questions, the response is also framed using the vocabulary of 'national interest' and 'efficiency,' as if the fate of workers is separate from, or even antithetical to, the strength of the nation. Therefore, 'Make in India' in defence, should be understood as a project that does nationalist rebranding of neoliberalism. Gramsci described this as passive revolution – the idea that the ruling class, unable to achieve a revolutionary transformation, instead carries out structural changes from above while neutralising popular opposition through ideological incorporation. The 'Make in India' defence project fits this perfectly: it reorganises class power within the existing framework while presenting it as national self-assertion. It provides the political cover under which defence production is reorganised to serve the interests of big capital, both domestic and international, while also invoking the symbols of sovereignty to neutralise opposition. Instead of strengthening India's strategic autonomy, this project moves in the opposite direction of entrenching new forms of dependence, while claiming to dismantle the old.

V. STRATEGIC AND SOVEREIGNTY RISKS OF DEFENCE PRIVATISATION

Defence Production, unlike other industries, must not operate on market logic. It has to seriously take into account the questions of sovereignty, strategic autonomy, and political control. Subjecting defence manufacturing and R&D to the dictates of private profit can weaken the foundations of what is commonly understood as 'national security.' The contradiction between the logic of profit and 'national security' lies at the core of this problem. Private defence firms are accountable to their shareholders and investors. Therefore, cost minimisation and profit maximisation are the central factors that drive their decisions about sourcing, production, exports, and even technology partnerships. Neoliberalism accentuates this tendency to a point where strategic investment is not considered a competitive individual choice, because it doesn't give quick returns. In the Defence sector, factors like redundancy, stockpiling, and long-term capability development are extremely crucial, and profit-driven pressures have the potential to induce dangerous compromises in this regard. Cost-cutting, solely for the multiplication of profits, can lead to compromised quality, dependence on cheaper foreign components, and weakening of long-term defence preparedness.

Foreign control or influence constitute another major vulnerability which cannot be addressed by merely limiting foreign equity. We have witnessed enough times that even in cases where ownership thresholds formally limit foreign shareholding, effective control can be exercised through other ways. In a joint venture, if the ownership of the intellectual property is controlled by the foreign partner, they can force dependence through technology access and supply chains. In such cases, two major problems exist. First, the Indian firm lacks the power to operate, alter, or upgrade the system without the approval of the foreign partner. Second, key components and sub-systems still have to be sourced from the foreign OEM or its approved suppliers, which creates a trap of permanent dependency. A similar role is played by the licensing agreements that restrict exports, independent R&D, and modifications. These dependencies act as geopolitical leverage that usually benefits the supplying country. Our past experiences with sanctions, export controls, and technology denial regimes have taught us that access to spare parts, upgrades, and technical support can be weaponised, as happened during the Kargil Conflict. Similarly, a potential for US sanctions under the CAATSA (Countering America's Adversaries Through Sanctions Act) got triggered after India signed the purchase of S-400 air defence systems from Russia. Although a waiver was eventually granted, the threat itself was enough to expose India's vulnerability. A privatised defence sector dependent on imperialist technology and components is far more susceptible to such pressures than a publicly controlled system whose primary orientation is towards autonomy. Modern weapons systems are produced and maintained through complex networks of suppliers, often transnational, and disruptions caused by war, sanctions, or diplomatic breakdowns can cripple them. A publicly owned defence sector has the intention and capability to prioritise strategic stockpiles, domestic substitution, and redundancy.

Today, defence production is deeply intertwined with digital systems. Foreign and private corporations' control over these systems (often in collaboration with foreign partners) exponentially increases the risks of data leakage, cyber intrusion, and

espionage. Public sector institutions are subject to audit mechanisms, parliamentary oversight, and national security protocols. In contrast, private firms operate behind corporate secrecy and are often shielded from scrutiny by claims of commercial confidentiality. The iDEX (Innovations for Defence Excellence) scheme was launched in 2018 and it was advertised as a platform for startup innovation. However, a little scratching of the surface reveals a number of new data and IP risks. Startup companies like Zuppa Geo Navigation Technologies and Big Bang Boom Solutions are now handling sensitive operational data of the forces. The government and the market are lauding them as success stories, but the answers to the question of who ultimately controls the IP for the AI algorithms and software that power these systems remain opaque. It is even more worrisome as these systems are integrated with privately sourced foreign components.

VI. GEOPOLITICAL CONSEQUENCES, STRATEGIC REALIGNMENTS AND MILITARY-INDUSTRIAL COMPLEX

Defence production, procurement, and partnerships have an organic connection with global power relations, which makes it important that the privatisation of India's defence sector be understood together with the country's changing (rather deteriorating) geopolitical orientation. The Modi regime's patronage accelerated the penetration of private and foreign capital into India's defence sector. This facilitation was supported by a reorientation of India's strategic posture, which now gravitates more than ever towards Western imperialist blocs, especially the United States. Post-independent India's defence industrial policy was driven by the push for strategic autonomy. This resulted in the establishment of defence and industrial cooperation with various diverse partners, including the Soviet Union, France, and other non-aligned countries. This diversification of partners and sources was aimed at retaining policy space, and insulating military preparedness from imperialist geopolitical coercion. Public-sector dominance in defence production was the material base of this autonomy.

On the contrary, the current phase shows a radical disparity from the earlier trajectory. India's ties with the United States got institutionalised and strengthened through a series of foundational agreements that the two countries signed, including COMCASA (Communications Compatibility and Security Agreement, 2018), BECA (Basic Exchange and Cooperation Agreement, 2020) and LEMOA (Logistics Exchange Memorandum of Agreement, 2016). These agreements serve as the legal basis for communications and systems interoperability, sharing of geospatial intelligence, and even allow reciprocal access to military bases for logistics support. In the name of creating technical and procedural interoperability and facilitating joint operations, they bind India into the US-led security architecture. This interoperability constrains independent or alternative strategic engagements. Defence privatisation is the linchpin of this whole dynamic. The private joint ventures with the Western defence manufacturers link the Indian defence industry with the global military-industrial networks that are controlled by US and European capital. The penetration of the Indian defence sector by Western capital using JVs, FDI, and IP ownership is a classic example of imperialist capital export creating structural dependency. Through these networks and interoperability standards, capital slowly creates an artificial dependence on Western equipment.

When a strong domestic military-industrial lobby starts emerging, it then creates pressure for higher defence spending and subsequently for more aggressive postures. Privatisation then starts shaping the political economy of war and significantly contributes to regional instability as private defence firms are in a never-ending search for more markets to sustain their profitability. A privatised defence industry (especially one with strong ties to government) has a material interest in sustained militarisation, which results in an increase in procurement budgets and expansion of export markets. This export inclination corresponds to the global trends in the military-industrial complex, where profit motives encourage militarisation and conflict escalation.

Given the fact that military spending is a key mechanism for absorbing surplus that big capital cannot productively deploy elsewhere, the export inclination becomes a structural necessity for capital. Rosa Luxemburg identified militarism as one of the principal outlets through which capitalism extends its accumulation beyond the limits of the home market. Kalecki has shown that arms expenditure functions as a form of government spending that stimulates demand without expanding civilian productive capacity or threatening the class hierarchy. It makes this spending politically preferable to social spending from capital's perspective and shows how the military-industrial complex is a structural necessity. In India's current conjuncture, where big capital faces shrinking avenues for productive investment, the opening of the defence sector serves a dual function. First, it creates a new guaranteed market for surplus absorption and Second, it simultaneously deepens the political power of the conglomerates that dominate it.

The incentives to de-escalate conflicts or pursue diplomatic resolutions are weakened structurally when sections of domestic capital profit from arms production and sales. Historically, India's Foreign Policy stood strongly by the people of Palestine and with their struggle for freedom. However, after Modi came to power, defence trade with Israel multiplied several times. The fact that Indian firms are involved in profitable JVs with the Israelis naturally affected India's foreign policy posture in the region. A country which stood steadfastly with the Palestinian people, now won't lift a finger to even condemn the genocidal aggression being unleashed on them. Why? Because the war imposed upon them is filling the coffers of the Indian capitalists who are producing armaments for the genocidal onslaught.

VII. DEFENCE PRIVATISATION AS PART OF A BROADER MILITARISED NEOLIBERAL PROJECT

The structural changes brought to India's defence sector by the Modi regime are part and parcel of a wider political-economic project. This project coalesces neoliberal accumulation, militarisation and authoritarian governance, where defence privatisation serves as an intersection node for corporate power, coercive capacity, and ideological control. Neoliberalism's growth requires authoritarianism and opacity. The coalescing of defence capital with internal security, surveillance, and infrastructure expansion provides a strong substratum to the project. Key corporate players of defence manufacturing also enjoy a strong foothold in airports, ports, logistics, data centres, telecommunications, and surveillance technologies. Defence production in the modern era is strongly tied to digital systems, data analytics, and networked infrastructure, and hence the government's attempts to hand over this sector to private capital enables a

consolidation of power in the hands of conglomerates that straddle civilian and military domains.

This amalgamation is also a grave threat to our democracy. Inwards extending militarisation changes the general approach of the society towards dissent, internal security, and policing. Drones, surveillance platforms, and cyber tools are just some examples of the technologies that are developed or assembled within the defence ecosystem, but are also domestically used. In the past decade, a number of major procurement decisions have bypassed detailed parliamentary discussion and were justified on grounds of national security or urgency. The incantation of secrecy protects the questionable policy choices of the government and the corporations that reap benefits out of them. Private firms operate with minimal transparency and act as intermediaries in the execution of coercive power by the government, solidifying the corporate-state nexus. In this context, Neoliberalism does not imply a retreat of the state, but rather an adjustment in the state's role where it continues to remain central because of its role as financier, procurer, and guarantor of demand, but it relinquishes control over production and surplus. The defence sector is the perfect model of neoliberalism in its purest form, where the public funds absorb risk, public institutions are hollowed out, and private capital captures value. Militarisation provides the ideological cover which frames these transfers as matters of national survival rather than what they are, a class policy.

The militarised neoliberal project is not limited to the reshaping of defence production only, but moreover, it is aimed at redefining how power is exercised and contested within the society as a whole.

VIII. CONCLUSION

The trajectory of the acceleration of defence privatisation in India over the past decade reveals an old disturbing pattern where a reconfiguration of class power within one of the most strategic domains of the Indian state is being sold to the voters as an exercise of reform, self-reliance, and modernisation. Defence production stands detached from its historical context of sovereignty and public purpose, and it is being attached to the demands of private accumulation, geopolitical alignment, and corporate profit. The Modi regime's political project of defence privatisation has opened a guaranteed, high-rent sector for big capital. This opening benefited a narrow circle of favoured corporate houses who received the transfer of public assets, institutional capacity, and policy influence.

Against this trajectory, an alternative vision is both necessary and possible.

Public sector centrality in defence production has to be reasserted as precarious contracts or shareholder interests cannot build strategic capabilities. Strategic autonomy must be reclaimed as a guiding principle of foreign and defence policy, which requires resisting alignment-driven procurement and building defence relationships that are diversified and non-aligned in nature. The definition of self-reliance must involve indigenous design capacity, control over intellectual property, and freedom from sanction vulnerability.

Reclaiming defence for the public good is inseparable from the fight to deepen democracy, protect labour, and restore sovereignty in a world structured by unequal

power. The question of defence privatisation is ultimately a question of whose interests the Indian state serves and whether sovereignty will remain a collective national asset or be auctioned off to capital under the banner of nationalism.