

The next frontier: On India's space sector

The Hindu

Paper - III
(Science & Tech.)

Space used to be the final frontier but its increasing exploration has changed that, replacing a romantic notion with narratives with financial, socio-economic, and geopolitical implications. Space technologies and space flight are expensive, risky endeavours that only national agencies were suited to engage in for decades. This is no longer true as private sector players are increasingly expected to complement, augment, and/or lead the way by identifying market opportunities and innovating rapidly. India started on this path in 2020 with state-led reforms that opened its space sector to private companies, then releasing the 'Geospatial Guidelines' and later the 'Indian Space Policy', creating the Indian National Space Promotion and Authorisation Centre (IN-SPACE), and passing the Telecommunications Act 2023 that, among other departures from the Indian Telegraph Act, 1885, provided for satellite broadband services. On February 21, the government opened the door to 100% foreign direct investments (FDI) in the "manufacturing of components and systems/sub-systems for satellites, ground segment and user segment" — up to 74% in satellite-manufacturing, operations, and data products; and up to 49% in launch vehicles, space ports, and their corresponding systems. As such, by stepping out of the way and allowing substantial FDI via the automatic route, the government has taken the logical next step in spurring the contributions of private space flight operators, technology-developers, and application designers to the national space economy, in line with ambitions outlined in the Space Policy.

The decision gives India the ability to take advantage of its less vitiated foreign ties to catch up with China's more advanced position as a space power. While the Chinese programme benefits from not-inconsiderable private sector participation, its ability to attract foreign investments is hamstrung by its belligerent foreign policies and the Xi Jinping administration's plan to modernise the military by, among other things, adapting civilian technologies for military use, though

Taking Off

EXECUTIVES SAY...

LATEST FDI announcements to accelerate momentum in the satellite sector

ALLOWING 100% automatic FDI in the space sector will further augmented the ecosystem in India

THIS WILL make the Indian space sector an even more attractive destination for foreign investments

PERMITTING UP to 49% FDI for launch vehicles reflects balancing foreign investment with national security

49% cap for launch vehicles reflects a cautious yet optimistic opening

other countries, including the U.S., have similar policies. According to IN-SPACE chairman Pawan K. Goenka, a “significant” slice of the \$37.1 billion that the space sector raised worldwide in 2021-23 went to space start-ups. Against this extended backdrop, new investments can add to India’s space economy by improving start-ups’ access to talent and capital; effecting a better balance between upstream and downstream opportunities, versus the current skew in favour of the former; boosting local manufacturing; and improving investor confidence. Finally, to sustain these winds of change, the government must keep the regulatory environment clear, reduce red tape, increase public support, and ease Indian companies’ ability to access foreign markets.

Expected Question for Prelims

Que. Consider the following statements with reference to FDI limit in India's space sector-

1. FDI up to the limit of 74% in satellite manufacturing and operation can come through the automatic route.
2. Under the new revised FDI policy, up to 100% FDI has been allowed in the space sector.

Which of the above statements is/are correct?

- | | |
|------------------|---------------------|
| (a) only 1 | (b) only 2 |
| (c) Both 1 and 2 | (d) Neither 1 nor 2 |

Answer : C

Mains Expected Question & Format

Que.: 'India's technical side is strong in the space sector, but on the administrative side, the government will have to keep the regulatory environment clear.' In the context of this statement, discuss the recent changes in FDI policy regarding space sector.

Answer's Approach:

- ❖ In the first part of the answer, discuss the shortcomings present in the administrative side of India's space sector.
- ❖ In the second part, discuss the recent changes in the FDI policy for space sector as per the statement given in the question.
- ❖ Finally give a conclusion giving suggestions.

Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC mains examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.