

Defence – where Make in India matters

The leadership of the armed forces is in capable hands, but we also need to be technologically self-reliant



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When I met Prime Minister Narendra Modi, I was struck by one telling comment he made during our conversation. He said, "Anil, do you know, that even the tears we shed in this country are not our own? Every tear gas shell used by our security agencies is actually imported!"

The Prime Minister's anguish was entirely genuine and for me, literally an eye-opener.

It left me in no doubt about the Prime Minister's 'Make in India' initiative and what a remarkable change of mindset it represented compared to earlier governments, particularly in relation to the defence sector.

It was, for me, an extraordinary and personal glimpse into the Prime Minister's thinking, his larger strategic vision, and his determination to make India a leading global player in defence manufacturing. This was reinforced by his choice of Defence Minister.

Manohar Parikkar is among the most talented, intelligent, hard-working and ethical leaders India has seen. His brief, from what I have seen so far, is to push the Make in India agenda, and provide our armed forces with the best possible, cutting-edge equipment and armaments.

His reputation for being a man of high principles and probity and one who is ready to change existing norms and systems for greater efficiency and transparency – are the two elements that will transform our defence sector into one that is modern and world class.

His willingness to engage one-on-one with all stakeholders and his out-of-the-box thinking has energised the ultra-conservative corridors of the defence ministry and given the wider defence establishment a new sense of energy and purpose.

Time for upgrade

We live in a troubled neighbourhood and defending our borders has become a huge challenge. Every day, we read about the exchange of fire with Pakistan troops along the Line of Control (LoC), the infiltration attempts, and the frequent face offs with China on the other LoC. The close military and political relations between China and Pakistan will always define our own strategic vision and how we can counter the joint threat.

One of the most illustrative examples of how our defence preparedness has suffered is the fact that for 25 years, the army has not been able to replace the Bofors 155 howitzer gun, a vital force multiplier in our artillery arsenal. In 1999, in the aftermath of the Kargil conflict, the Army initiated an artillery requirement programme to import 2,200 Bofors-type artillery guns for over ₹27,000 crore.

This was because no Indian firm made similar weapons. The new

policy of opening up the defence sector to private players will go a long way to ending such self-imposed handicaps imposed on our defence forces.

Our defence preparedness therefore holds the key to our future as a nation. I recently had the honour of meeting and spending time with each of our three service chiefs – General Dalbir Singh Suhag, Air Marshal Arup Saha and Admiral Robin Dhowan; three officers of exceptional integrity, dedication and commitment.

I came away feeling proud and humbled, but also reassured that the defence of our realm is in very capable hands. It's a great blessing as a nation that we have in uniform some of the finest officers and bravest men and women in the world.

Unfortunately, borders in the modern world cannot be defended by strength of character nor can wars be won by dedication, training, discipline and bravery alone. Lack of technological superiority leaves the country vulnerable and it entails disproportionate levels of sacrifice on the part of our valiant armed forces.

The Kargil War exemplified this harsh reality. For far too long indecisiveness in defence procurements, based on a play safe approach, has resulted in the Armed Forces suffering with sub-optimal hardware – this is truly a travesty.

They deserve the best

The outcome of war is never certain. However, success in warfare in our age is greatly aided by technological superiority, information systems and the quality and precision of weaponry. We owe it to our men and women in uniform to give them the best-of-class military hardware.

Most submarines currently operated by the Indian Navy are past their operational life, while the Indian Air Force is still saddled with MiG-21 aircraft of the 1970s vintage. India has great power ambitions, and with justification.

We are seeking a permanent seat in the UN Security Council and India is projected to be the world's 3rd largest economy by 2024. Yet, unlike all other major powers in the world, India remains the largest importer of defence hardware in the world. Nearly three-quarters of all our critical defence equipment is sourced from abroad.

Our record in developing our aerospace industry, quite unlike the remarkable strides we have made in other high-technology areas such as space, communications and missile programmes, is a sorry one, hobbled by missed opportunities, short term thinking, lack of controls on domestic manufacturers, and a blinkered strategic vision.

A recent CII survey assesses the maturity of India's aerospace



A class apart They deserve the best in class equipment AFP

on a scale of 5 at 2.7, the lowest among all defence sectors. Aeronautics is lagging far behind naval and land systems.

A 2014 study by E&Y pegs India's defence hardware purchases at over \$250 billion or nearly ₹16 lakh crore. Nearly half of this equipment will comprise aerospace platforms such as combat aircraft, drones, helicopters and the like. Sadly, based on our current record, nearly all of this equipment will have to be imported.

Our goal of minimum dependence in aerospace is nowhere in sight. It is clear that if we wish to peg our defence expenditure at the current or even higher levels of GDP, then we will have to manufacture a major proportion of our requirements indigenously and, in time, begin to export so as to roll back the net deficit in the defence sector.

Agenda for change

So what's the way forward? The Prime Minister has outlined a bold a new vision for India's defence resurgence. Underlying the many policy changes that his government has announced – starting with the raise in FDI cap in defence from 26 to 49 per cent and, with cabinet approval, even to 100 per cent in identified areas of critical technologies – is the recognition that what we need most of all is a total change of mindset and approach to boosting this vital sector.

I have listed some urgent points that need to be addressed to make this change work for India.

There is need to acknowledge at every level of government that the private sector in India can be trusted to play as important a role in modernisation of India's defence capabilities as the public sector.

We need a common framework for defence procurement across research establishments, Ordnance Factories, defence PSUs and private sector. Decision making needs to be simpler, faster and transparent.

There's an urgent need

It is no secret that procedural delays and departmental red tape have often caused a greater loss to the exchequer in defence procurement than any alleged improprieties

to address and improve the ease-of-doing-business. The Ministry of Defence is the sole customer for the defence industry in the country. Without long-term contracts, certainty of volumes, quick selection process, transparency and fair payment terms, there will be little incentive for private players to invest the huge resources required for defence production.

There is a compelling case for creating a single window for defence licensing and FDI approvals. For example, DIPP and FIPB, which are currently under different departments/ministries, ought to be brought under one umbrella.

Any large-scale involvement of the private sector in defence would require a clear roadmap for engagement, with clearly identified thrust areas. We need to think of new modalities of public private partnership. One answer is a Joint Working Group, comprising leading representatives of the private sector and key decision makers in the government, who will work together from the planning stage so that private companies have a clear idea of the areas in which they need to invest. This will help in the development of human skill sets and capital infrastructure.

We need to set up a sovereign defence fund, on a PPP model, in which the government holds 49 per cent while private defence sector players make up the balance, with no player contributing more than 5 per cent of the total. Professionally managed, such a fund can help invest in long-gestation R&D projects and facilitate strategic global acquisitions in key technology areas of defence and national security. This will also be a big support for the Micro, Small and Medium Enterprises (MSMEs), which form a critical part of any developed defence industrial base.

We need to accord infrastructure

industry status to the defence sector, thereby paving the way for easier credit and a greater role and opportunity for the private sector.

The long shadow of the 3Cs – CBI, CVC and CAG – have hamstrung decision making in India's defence sector with the fear of regulatory censure and investigative overreach. We need to move forward with courage and conviction and have necessary safeguards to protect the decision makers just as in the coal block allocation sector where the bureaucracy has been provided protection.

The new model for India's defence sector should be built on a cornerstone of the new 3Cs, namely Cooperation, Competition, and Collaboration.

No room for vacillation

There are also some obvious truths to be considered. Modern government needs to function with the need for discretion in policy formulation and implementation in a sector as sensitive as defence.

However, the modernisation of India's armed forces cannot be held hostage to indecisiveness or vacillation. It is no secret that procedural delays and departmental red tape have often caused a greater loss to the exchequer in defence procurement than any alleged improprieties.

The road ahead is long. But with the current leadership, I believe we have our best chance of success in evolving a world-class defence manufacturing sector. With commitment, cooperation and a clear vision, we can turn the Prime Minister's 'Make in India' slogan into a reality. It offers us the best chance to repay the brave men and women of our armed forces for their dedication, discipline, and sacrifice.

I'd like to conclude by recalling the words of the father of our nation – Manasa, Vacha, Karma – "Happiness is when what you think, what you say, and what you do are in harmony." We have thought long and hard and said a lot; it is now time for action.

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