Self Reliance in Defence Production

What is the issue?

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- The Defence Production Policy (DProP) 2018 has set ambitious goals for 2025.
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- There is a need for some fine tunings in defence industry to achieve the goal of self reliance.
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What does the policy provide for?

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- It includes provisions for boosting production, exports, and investment.
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- It would, thereby, create two-three million jobs domestically.
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- It also aims to achieve global leadership in artificial intelligence and cyberspace technology.
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- To drive this policy, the government has identified 13 product categories.
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- It has permitted 74% FDI in “niche” technologies.
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- It plans to develop two defence production corridors.
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- It also plans to constitute private sector units and to establish defence innovation hubs.
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- Given all these, there are some misconceptions as to the strategies adopted for self-reliance in defence manufacturing.
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Why is the FDI route less likely to work?

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- There is a mistaken belief that production companies decide on transfer of technology.
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- But it is the governments, not manufacturers that decide technology transfer.
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- It is based on political and military considerations, geopolitical factors and long term business commitments.
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- It is also believed that foreign manufacturers would be attracted by the mega Indian market for their products.
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- However, certain cutting-edge technologies are closely guarded.
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- Foreign companies will not part with them under any circumstances.
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- Also, no government can assure the foreign companies that orders will continue to be placed for all time to come.
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- Clearly, the FDI route is no salvation for self-reliance in defence production.
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What is the challenge?

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- Military needs reliable combat/combat support systems to counter threats.
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- Technology of the equipment should match, or preferably be better than, the technology of the adversaries.
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- The military expects product support, trainers and simulators.
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- It also requires mid-life upgrades during the equipment life cycle which typically will be about 20 years.
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- Importantly, research, design and development and manufacture are closely coupled.
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- However, in reality, domestic industry lacks the capability, domain knowledge, skill, expertise and experience or capacity.

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- It includes adequate trained manpower, specialised test facilities, test ranges, etc.
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What could be done?

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- **DRDO** - Industry could be the lead agency for development of new products.
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- However, it may sub-contract development of certain sub-systems to a DRDO laboratory.
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- The industry’s managerial expertise and DRDO’s technical expertise could be coupled for optimum results.
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- **Funding** - Presently, the MoD funds the DRDO for development of new products.
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- It results in minimal interaction between the armed forces and the developer.
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- Instead, the armed forces should fund these developments from their own budgets.
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- This would be an essential structural change which would give them a sense of “ownership”.
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- It will give the armed forces an incentive to
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i. monitor the progress at regular intervals
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ii. participate in inevitable trade-offs between conflictual requirements
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iii. make-buy decisions
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iv. trials at sub-system stage
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v. authorise release of funds based on accomplishment of milestones, etc
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- It would also minimise time and cost overruns and shortfall in specifications.
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- The armed forces would need to develop project monitoring skills.
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- **Manufacturing ecosystem** - The manufacturing industry is organised into a three/four tiered structure.
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- Tier one companies are “integrators”.
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- The whole chain forms an “ecosystem” which the DProP 2018 recognises.
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- However, it is industry which can create and nurture such ecosystems, not the government.
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- To assure long term loyalty and commitment, tier one companies have to necessarily support MSMEs initially.
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- The defence production sector would need about 20 tier one companies and several lower tier companies.
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- All these in conjunction can make the DProP 2018 a successful one towards self reliance in defence production.
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Source: BusinessLine

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