

Multi-billion dollar deal runs into Trouble

Why in news?

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- The multi-billion dollar deal between India and Russia for four stealth frigates has run into trouble over pricing and local construction with Transfer of Technology.

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What happened?

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- India and Russia had signed an Inter-Governmental Agreement for four additional **Krivak or Talwar class stealth frigates** during bilateral discussions on the sidelines of the BRICS summit in October 2016.

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- As per the agreement, two ships are to be procured directly from Russia and two to be built in India with Russian assistance.

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- In the commercial offer submitted later, Russia has quoted about \$990 million for the two ships to be directly imported. For those to be built in India, the commercial offer quoted about \$800 million for “supply of material to ensure construction of the two ships in India” and \$51 million for “supply of project documentation” to ensure their construction. The cost of construction of the two ships in an Indian yard was to be arrived at later.

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Is it a setback to Make-in-India initiative?

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- Defence sources said this would steeply push up the overall cost of the two ships and it was seen as **a way to ensure that all four ships were imported from Russia.**

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- “It will be a serious setback to the Make-in-India initiative,” one official observed.

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- The issue was discussed in detail by the **Defence Acquisition Council**. It has been decided that identification of the shipyard to be deferred till the cost for the construction of the ships in India was not cleared.

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- Officials said that, “the decision on procurement of two ships from Russia cannot be initiated unless details of Transfer of Technology, cost etc of balance two ships are found acceptable.”

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- “The Navy has conveyed its concerns to Russia. They were told that we will either take all four ships or none,” official sources added.

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