

Strategic Partnerships for Defence Manufacturing

What is the issue?

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- Defence Secretary Sanjay Mitra had said at the recently held “DefExpo” that the Strategic Partner (SP) policy was still at a preliminary stage.

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- Notably, there are fundamental flaws in the current Strategic partnership (SP) policy and it will definitely take a few more years for orders to commence.

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What is the Strategic Partnership (SP) Policy?

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- The intention of the “SP” policy is to promote the private sector to primarily manufacture - fighters jets, helicopters, submarines and tanks, in India.

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- The partnership envisions facilitating technology transfer from a foreign ‘Original Equipment Manufacturers’ (OEM) to a local partner on agreed terms.

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- This will aid Indian firms to access the technical knowhow on weapons manufacturing while also simultaneously boosting foreign investments.

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- Notably, to bring a spread in skills among many firms, the policy mandates only one class of weapons to be manufactured by one local partner.

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- The process designated to select a SP is long and arduous and nominated firms must demonstrate its financial and technical potency to be selected.

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What are the challenges?

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- It is a fact that even the most strong of Indian firms dont currently possess the capability to build sophisticated military hardware.
 - For example, building a warship demands expertise not just in welding, fabricating, plumbing and wiring.
 - More specifically, establishing a battle ready platform requires expertise in high-tech propulsion systems, environment management tools and sensors.
 - Notably, public sector shipyards like Mazagon Dock and Garden Reach took almost 50 years to acquire the current level of expertise to build warships.
 - Similarly, even Hindustan Aeronautics, which is the only Indian company capable of manufacturing fighter jets, had taken decades for the achievement.
 - These public enterprises literally began with nuts and bolts and simple sub-systems, and then graduated to more complex systems.
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What is the risk of rushing through with partnerships?

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- In the urge to quickly build private sector capability, the SP policy seems to be demanding unrealistic technological capabilities from aspiring firms.
 - Even with the best of intentions and handholding from foreign OEMs (foreign firms), Indian firms will be hard-pressed to build a modern fighter or frigate.
 - SP projects require at least a 40% indigenisation, but the most costly components like propulsion systems and sensors will have to be imported.
 - This implies that a large amount of fabrication and final integration has to be done in India to meet the 40% indigenisation target.
 - All this would mean an undesirable dependence on the foreign partners to compensate for the slack by the local firms.
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What is the way ahead?

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- Aspiring Indian defence firms like the Tata group, L&T, started manufacturing relatively simple components and then graduated to sub-systems and systems.

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- These firms seem to be on the right track and they can eventually graduate to manufacturing fully finished equipments.

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- But the government needs to be realise that if this process of gradual evolution is rushed beyond a point, it will become counter productive.

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Source: Business Standard

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