



Centre for Air Power Studies (CAPS)

Forum for National Security Studies (FNSS)

THE “CHARKHA LEGACY”: CHALLENGES FOR SWADESHI REVOLUTION IN DEFENCE SECTOR

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“Be the change that you wish to see in the world.”

- *Mahatma Gandhi*

Introduction

The “Make in India” buzzword coined for the need to give necessary impetus to the indigenisation efforts, has made a definite impact on the prevailing investment climate and industrial sentiment in the country. Along with significant policy changes, it has also been aggressively promoted on the global stage. The change in policy relevant to the defence sector is included in the consolidated Foreign Direct Investment (FDI) policy issued by the Ministry of Commerce & Industry, Government of India in May 2015¹. It opens the defence sector to an FDI of 49% and beyond, albeit with certain conditions. This limit of 49% can be exceeded on approval by the Cabinet Committee on Security (CCS) on a case to case basis, especially in case it

is likely to result in an access to modern and ‘state-of-the-art’ technology in the country². The policy also stipulates that the ownership of the applicant company as well as its control should be with resident Indians³.

The opening of defence sector to private firms with foreign participation inherently comes with its own set of risks. These may include the possible disclosure of equipment specifications and design processes which would compromise its use by own forces. In addition, there is a possibility of losing capital to costly R&D efforts and consequently a possibility of unwarranted inflation of prices by the private firms. There is also a major possibility of attempts by private players and vested interests to influence policy decisions in their favour. Also, the intended goal of self-sufficiency, especially for manufacturing defence equipment, will also require availability of core technologies in order to ensure and

maintain qualitative and quantitative advantage over our potential adversaries. In order to build up the desired level of self-sufficiency in the defence sector, which is heavily dependent on exclusive access to core technologies, it would require inputs amounting to a bit more than mere financial & policy considerations.

Thus, there is a need to examine the challenges facing the country's efforts towards achieving indigenisation in defence sector in a manner which keeps the national interest the foremost and infuses a spirit of ownership and responsibility while providing for necessary synergy between private & public sector undertakings to reduce continual dependence on costly imports.

Procurement Policy & Technology Challenges

The recognition that unavailability of "state of the art" or strategic technologies is having an adverse impact on the defence sector is probably the one major reason that has prompted the conditional relaxation of the FDI capping of 49% in the defence sector. However, it is unlikely that such transfer of technology will take place in core areas and system design processes. Various vested interests would also want the existing dependence of our defence forces on imported equipment to continue.

This aspect has also been highlighted in the report submitted by an expert committee known as the "Dhirendra Singh Committee". The report submitted in Jul 2015 suggests various measures

including amending of the procurement processes giving various incentives to the domestic manufacturers. The report, while highlighting the availability of trained manpower in over 9 PSUs, Ordnance factories, a few large private companies and 6000 SMEs (which are meeting the requirements of our defence forces), acknowledges that certain key technologies essential for producing defence equipment are not available within the country. These include manufacture of electronic and microwave components, high quality printed circuit boards, Cold Rolled Grain Oriented (CRGO) steel sheets for transformers, Aluminium alloys for aero structures, Carbon composites for aviation and missile applications, Nickel and Cobalt super alloys for high temperature applications and Titanium alloys. These areas therefore should automatically become the focus areas of the indigenisation efforts⁴.

Further, one of the primary considerations for investing in necessary R&D in developing any core technology is its viability in pure economic terms. This aspect holds true for both private and public sector concerns but these can be mitigated to a large extent by Govt. policies and mechanisms. The quantum of investment is also governed by considerations of profitability and marketability of the product which is proposed to be manufactured. In the stipulated FDI policy for defence sector, even though the purchase guarantee is not guaranteed, a balance has been sought by providing the likely planned

acquisition programme and likely requirements. Intent to allow for exports is indicated in the policy and would be governed by the necessity of the licensee to take prior permission from the Department of Defence Production (DoDP), Ministry of Defence⁵.

It can be inferred that even though we are manufacturing helicopters and fixed wing aircraft including the LCA there is a scope of further increasing the truly indigenised content. The lack of system level design capability in many areas of defence applications mandates the necessity of undertaking initiatives to develop such capabilities. With non-availability of core technologies, the domestic private sector industry is likely to take the easier way of importing sub-assemblies/assemblies while bidding for lucrative defence contracts. This will continue the dependency of the industry on imported technologies and adversely affect the indigenisation effort and consequently the country's interest in the long term.

Therefore, having recognised our current shortcomings, the challenge before us is to put our heads down and translate the issues and thoughts highlighted during numerous studies conducted over years into reality while focussing on finding solutions. There is no doubt that we require another revolution of sorts, one which invokes the "Swadeshi" spirit akin to the one which existed during the "Swadeshi" movement in the pre-independence era. This would be with a single-minded aim of overcoming the direct or

indirect dependence on imported technologies for achieving indigenisation in the true sense. In this revolution the participation of private sector is also imperative with recognition of the fact that we have no choice but to persist with developing and building own capability, even if it means starting from scratch instead of waiting for envisaged transfer of technology to take place. Thus, there is a need to re-invent the "Swadeshi" spirit.

The "Charkha" Approach

The "Charkha", while managing to find itself as a symbol of the "Swadeshi movement", had a huge socio-economic impact in the pre-independence era. It had also symbolised among others, the value of self-sufficiency. It also embodied the spirit of dignity of labour, equality as well as unity.⁶ The concerned stakeholders will have to recognise the need for infusing necessary spirit while stimulating growth of domestic defence industry. There is a need to combine this spirit with a desire to reduce dependence on foreign suppliers of quality-critical military equipment while overcoming the profitability considerations. The stakeholders include the Armed Forces as well as Govt. funded R&D organisations. The necessary stimulus has been provided with the opening of defence sector for foreign investments through policy changes. However, this stimulus may need tweaking along a definite direction which also must be based on sound economics and foresight. An environment along with an established system of fostering

synergy between policy makers, Govt run R&D organisations, Armed Forces, MSMEs and educational institutions is imperative if the desired results are to be achieved.

A Way Forward

Infusing the “Swadeshi” spirit into all domestic concerns manufacturing quality-critical defence equipment, along with instituting measures to incentivise domestic manufacturers with indigenous technological content with active involvement of end users from the development stage itself, may be the way forward. A process also needs to be evolved wherein the end users, especially the armed forces, give preferential treatment to indigenously manufactured products which at present may not measure up to being “State of the Art”, however they are good enough to meet their current needs. This needs to be done with a clear understanding that the provided product will be continuously improved upon with user inputs and also that this is in the overall national interest. Thus, the focus area for promoting indigenisation in the defence sector must also include aspects of infusing the right spirit for achieving self-sufficiency as a part of national effort.

A possible way forward would be to set up a nodal agency with a clearly mandated task directive on setting, monitoring and achieving “Make in India” targets along with promoting exports in defence sector while infusing

necessary “Swadeshi” spirit. This empowered nodal agency would be akin to creation of a common platform to function in perpetuity, with necessary safeguards to permit a direct interaction between the involved government ministries, private companies, R&D organisations, existing PSUs along with armed forces and other intended users including those overseas. This agency would also act as an enabler in order to adequately understand each other’s requirements and limitations for defining realistic timelines as well as for exercising necessary fiscal prudence. It is also proposed that this central body should have the necessary mandate to undertake continuous policy evaluations and give periodic follow up progress reports on the area of responsibility.

Conclusion

Thus the application of “Charkha” concept to the Make in India campaign by the stakeholders in the critical defence sector would involve keeping national interest the foremost, while promoting self reliance in its true form along with ethics of economic propriety and meeting of timelines. But the jury is out if we have the real chutzpah to reinvent the “Charkha Legacy” and put our hearts into efforts of building a truly self reliant defence industry or will we continue to be caught in myriad of policy changes, evaluations, redirections, financial calculations, scrapping of ongoing projects and eventual continual dependence on costly imports

to meet inescapable defence needs of the country.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])

Notes

¹ Consolidated FDI Policy, *Ministry of Commerce & Industry Govt. of India D/o IPP F. No. 5(1)/2015-FC-1 Dated the 12th May,2015 (Effective from May 12,2015)*

² Ibid., Para 6.2.6.1

³ Ibid., Para 6.2.6.2 (ii)

⁴ Report by Committee of Experts for Amendment To DPP-2013 23 Jul 15, Para 4.14.12 available on the official website of Ministry of Defence at <http://mod.gov.in/writereaddata/Reportddp.pdf> accessed 28 Nov 15

⁵ Consolidated FDI Policy, n.1, Para 6.2.6.2 (xiv)

⁶ Metta Centre for Non-violence, "Charkha", <http://mettacenter.org/definitions>, accessed on Nov 25, 2015