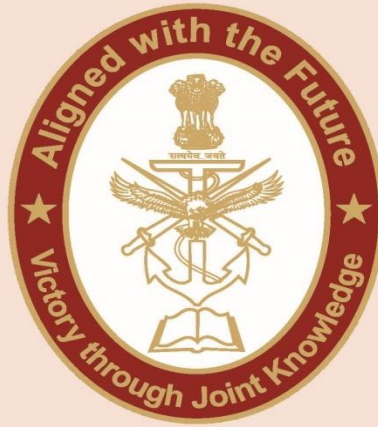


CENTRE FOR JOINT WARFARE STUDIES



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A LANDSCAPE FOR DEFENCE EXPORTS



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A birdseye view indicates conflict zones are in Africa, Middle East, West Asia, South Asia and the South China Sea. Major defence spenders will also be in this region. India is central to these zones. Recent Chinese aggression and assertion has driven up security stakes for nations. The Indo-Pacific region has shot into prominence. Many nations will now arm themselves as per the evolving paradigm. Nations which were dependent on China are looking for other options. An example is the submarine deal between China and Thailand which has been put on hold. It opens up space for India and gives it a unique opportunity to be a net defence exporter.



The question which arises – Is India prepared to be a major defence exporter? The draft ‘Defence Production & Export Promotion Policy (DPEPP) 2020’ was released recently. It aims to export Rs 35,000 Crore (US\$ 5 Billion) in Aerospace and Defence goods and services by 2025. While the ambition is clear, there is no clarity on how to go about it. There is a need for a landscape for defence exporters to traverse. Essentially, there are two facets to defence exports. There is a major strategic opportunity. It is also an opportunity to earn revenue and build an indigenous self-sustaining and self-regulating defence industry.

The Strategic Opportunity

Our current military stand against China is already enhancing India’s reputation. Defence exports will establish us a regional power of consequence. Resultantly, there are two sub-themes which emanate. One is exports to secure our immediate neighbourhood and the second is to spread our influence beyond.

Neighbourhood Opportunity. There is no denying that China has made major insidious moves in our immediate neighbourhood. Besides Pakistan, other neighbours are also equipped with Chinese weapons. These include Sri Lanka, Bangladesh, Maldives and Myanmar. Nepal will soon follow. A senior Sri Lankan Officer once mentioned that China and Pakistan gained space since India refused to arm the country during the LTTE days. Context understood. Time to reset the equation. The officer also added that Sri Lanka would prefer weapons, equipment and training from India to rebuild ties. A similar story exists with other neighbours also. Hence our diplomacy and export policy should ensure that all our neighbours are armed with our weapons and look towards us for their security requirements. Building defence related dependencies in our neighbourhood will enhance our security even if we have to give them some equipment in gratis. In a ‘Walk the Talk’ show Shekar Gupta asked two Afghani Cricketers as to which country they would like to defeat always. Pat came the answer – Pakistan. Taliban or no Taliban, there is need for a pragmatic approach.

Regional Opportunities. Regionally, opportunities abound for defence exports in the West Asian conflict cauldron and the tension zones of South China Sea. Countries will increase their defence expenditures. Having interacted with some reasonably senior armed forces personnel of these countries I am confident that they are more comfortable with India as a defence supplier. The strength of our historical linkages, culture, soft power, economy and hard power are attractive. I was doing an international course in USA a decade back. Whenever there was a discussion on any issue in which I expressed an opinion there was backing and acknowledgement from officers from countries as diverse as Qatar, Egypt, Yemen, Taiwan and Philippines. If we take a step forward on defence and security exports, we will reap dividends. India can be the true regional power of reckoning. However, some deep thinking and diplomatic input will be required since we should be careful about whom to arm with what. The standard MoD approach will not suffice.

Defence Exports - A Triad

Defence exports must be based on a long-term triad. The triad consists of weapons & equipment, services and training. Export can be of new weapons and equipment or refurbishing of existing/obsolescent equipment – either of that country or from our inventory. Many countries cannot afford new equipment and hence would prefer the refurbishment route which suits their pockets and defence requirements. Refurbishment can be undertaken by Government and/or Private Players. For example. Many old guns will be available with sufficient spares once new 155mm systems are inducted. They are prime candidates for export. However, all weapons need ammunition. That will be a perennial demand. Services could pertain to maintenance of equipment or building infrastructure. Spares and maintenance are long term earners. It goes hand in hand with weapon export. It needs long term thinking and commitment with major flexibilities. The third component of the triad is military training. It is the soft component force multiplier. Training is our great strength. Defence export and training must be combined to create long-term dependencies and alliances. Military Training alters behaviours and conditions the way people think. However, our current capacities are limited and will not be able to meet the training

needs of many countries. Before we embark on weapons export, expansion of our training capacities is warranted. Resultantly, deep integration of Services in this enterprise is mandatory. If that does not happen – forget exports.

Requisites for Defence Exports

Defence Export Architecture. Defence exports must take place under a well thought out architecture and organisation. It must integrate and be driven by all stakeholders. At the government level, it is visualised that the Ministries of Defence, External Affairs and Home will have to lay down the major policy directions based on our National Interests. At the MoD level, the stakeholders must be the MoD, DDP, Service HQs and any nominated Industry body. DDP can be the nodal department but it cannot row this boat with just an export cell. Defence exports need an elaborate organisation and flexibilities. The Foreign Military Sales organisation of USA and the export architecture of Rosoboron Exports of Russia are good models. Even the ONGC Videsh could serve as a reasonable model. Exports should take place strictly under this architecture lest everyone pulls in different directions. Industry (Public or Private) should not be allowed to run around like mavericks and start peddling their equipment to other countries. The ramifications could be loss of national credibility. This point is specifically being made since the major constituents of the DDP viz OFB and DPSUs have narrow visions, one-dimensional views and tend to be self-serving. They must be made to look beyond themselves. Additionally, the organisation must be apart from the MoD with a degree of autonomy and permanence. Developing defence exports is also about developing long term institutional or personal linkages and equations.

Requirement Analysis. An analysis needs to be done to establish defence requirements of various countries who are on our export radar. We need a strategy to edge out competition. The Government should also be prepared for collaborative efforts in Research, Developments and Production. Such effort will result in deeper linkages. A lot of groundwork is required.

Capacity Analysis. A careful capacity analysis and audit should take place. It cannot happen that we are exporting items which we are short of, like ammunition. Also, capacities should not be diverted for export at the cost of domestic utilisation. First fulfill own needs. Most importantly countries will not buy items unless they are in use in our Forces. We should have the capacity or retain capacities to produce and maintain the equipment being exported. This is especially important for older equipment.

Pricing Issues. Defence export markets are traditionally dominated by Westerners. Attractive pricing and presenting a value proposition is important to wean customers. Being centrally located, we have the advantage of saving on transportation costs (these are considerable). However Indian Public Defence Industry is terribly overpriced. Run away and opaque pricing is thenorm. This trend is known internationally. It cannot continue when we enter international markets. We will be priced out by experienced competitors. If we enter international markets competitively our pricing and financials must be right. The re-branding and name tag production exercise which some of our defence industry is quite adept at, cannot be replicated. We will be exposed as hollow.

Security Implications. The security implication of weapons and equipment to sell or export needs careful evaluation. We have a few technologies which we have mastered and can fetch hand some results. However, on the flip side such technology cannot be exported without adequate checks and balance. In some cases, these technologies cannot even be thought of for export. For instance, we had an export request for the indigenous Swati Weapon Locating Radar (WLR) when I was in service. I turned it down simply because technologically this was equivalent to the latest mark of the ANTPQ37 WLR. USA made us go through all hoops a decade and a half back before they sold us an almost vintage mark of this radar. We can never part with such technology or equipment. Our adversaries will be devising methods to lay their hands on our latest weapon systems through third parties as and when exports open.

Volumes. Defence export volumes will be small, but the range will be diverse. This is simply because countries who might import from us will invariably have small security set ups and consequently their needs will be small. However, once we establish a line of export for any product and develop a reputation there will be a rebound effect and volumes will grow. It will be a game of patience.

Quality. One critical issue is Quality. Our Defence Industry is notorious, notorious and notorious internationally -for poor quality. In fact, it does not have a sense of pride in the weapons and equipment it produces. What a shame. The lesser said the better. The Private Sector has a better record. Even in small items and spares there is contagion of poor quality. Reliability, Quality and Dependability are paramount in weapon systems. If this is not ensured exports will simply not fetch.

Missing Woods for Trees

The intent of the MoD to open export of Defence Equipment and Services is welcome and overdue. However, the strategic aspect is very important and should be grasped with both hands. While the intent is great, the threat will be delivery with Quality. Quality is the pitfall of our indigenous defence production system. The Services must play a huge part in defence exports. If any attempt is made without the Services on board, it will be a failure. The MoD organisation has been missing this wood for the trees for 70 years by keeping the Services out of the equation. Repeat the trick and there will be no exports. That I will guarantee today.

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