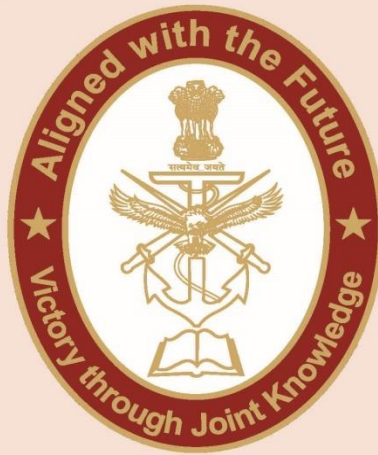


# CENTRE FOR JOINT WARFARE STUDIES



## CENJOWS

**DEFENCE  
CORRIDOR: A  
CHALLENGING  
PROGNOSIS**



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1. In order to boost the indigenization program in the defence sector where Indian Armed Forces still rely primarily on imports, the government announced the setting up of two defence corridors North and South. Northern corridor is essentially located in UP and the southern corridor in Tamil Nadu. As per last information available, six consultations meeting of stakeholders each in Uttar Pradesh and Tamil Nadu were organised across its various nodes. Investments of approximately Rs. 3,700 crore were announced by Ordnance Factory Board (OFB/Defence Public Sector Undertakings (DPSUs) & Private Industries for Uttar Pradesh. Similarly, investment of approximately Rs 3,100 crore were announced by OFB/DPSUs & private industries for Tamil Nadu Defence Corridor. Further, the Government has also appointed a consultant for the preparation of policy and Detailed Project Report (DPR) for these two Defence Corridors. Incentives to private players and foreign companies are provided under the respective state policies. The aim is to ramp up indigenous production of defence and aerospace related items, thereby reducing our reliance on imports and promoting exports to other countries. **Defence Industry corridor keys in perfectly with the Atmnirbhar Bharat initiative of the Prime Minister.** India's goal of self-reliance in defence, generation of direct/indirect employment opportunities and growth of private domestic manufacturers, Micro Small and Medium Enterprises (MSMEs) and Start-ups would be very well served with the Defence Corridor Program.

2. In order to give a fillip to the indigenization efforts which would then indirectly key into the development of the proposed Defence Corridors, the Defence Acquisition Council (DAC) headed by Shri Rajnath Singh, the apex body dealing with acquisition of weapons and equipment and thus responsible for military capability development in its first meeting of 2020 after the appointment of Chief of the Defence Staff, met to consider a

number of new and ongoing proposals for procuring critically needed platforms and equipment for the Armed Forces. It accorded approval for procurement of equipment worth over Rs. 5,100 crore from indigenous sources. It also emphasized on acquisition of a very critical combat capability of Electronic Warfare (EW) Systems for the Army designed by Defence Research and Development Organisation (DRDO) and manufactured locally by the Indian industry. Further, it approved the short listing of Indian Strategic Partners (SP) and the potential Original Equipment Manufacturers (OEMs) that would collaborate with SPs to construct six conventional submarines in India. As per the DAC, SPs are to play a transformational role in building development entities, specialised vendors and suppliers; especially those from the MSME and SME sectors. SP Model also aims at promoting India as a manufacturing hub for defence equipment. Also the model will aim at establishing an industrial and R&D eco-system capable of meeting the future requirements of the Armed Forces besides giving boost to exports. In order to encourage indigenization it also approved the inclusion of innovations for Defence Excellence (iDEX) in Defence Procurement Procedure.

3. Taking the above process forward, the UP government recently expressed its satisfaction at the progress made in implementation of the defence corridor project North by stating that the entire land earmarked at Aligarh for defence corridor amounting to 53 Hectare has been sold to prospective investors and progress in other nodes was also satisfactory including a DPR by Tata for Rs. 357 crore to set up a common facility centre at Lucknow. Aim of the government appears noble and laudable, but has it achieved the desired progress? There are serious doubts whether the projects are progressing beyond the announcement stage. The defence corridor at this stage appears to be only at a promissory stage with announcements and contemplations. We cannot anymore take the cover of

**COVID 19. The Chinese factories are rolling out state of the art weapon platforms. They have not allowed COVID pandemic to put a break on their defence production. South China Morning Post of 12 Jul 20 reports that Chinese Stealth Fighter J20B has overcome agility problems and is now considered to be a full-fledged fifth generation fighter. It also added that a modified version of the aircraft has entered mass production, clearly indicating its aggressive intentions in dealing with its adversaries.**

4. To make indigenization successful, the MSME and the small sector need to be incorporated into the indigenization initiative. But the medium especially the small sector private players are be unable to venture into defence sector unless there is clarity on specific requirements from the MoD and hand holding in terms of funding especially for R&D. Big players like Tata, L&T, Reliance, and Mahindra along with Defence PSUs have to come forward and incorporate the medium and small scale players for research, development and production. Further, there is a need for technology bridging with technology holders, especially in the case of Technology Transfer cases from foreign vendors such as the AK 103 project which is to come up in Korva, UP. Unfortunately, thanks to COVID-19 even this project has not taken off as per laid down timelines. It is high time the project team sheds the inertia caused due to COVID 19 and get the project going.

5. We also need to be realistic in terms of what all can come in the proposed industrial corridors. A feasibility study needs to be done on priority by the appointed consultants if they have not done so till now. As per preliminary appreciation most of the current location of Large Scale Defence Manufacturing concerns whether government or private are well set in their existing location. They are unlikely to re-locate or establish a new unit into these corridors unless there is an overflow of demand, which unfortunately

is not the case except in the case of ammunition manufacturing. Alternatively a new equipment's assembly line has to be established either through indigenous effort or technology transfer.

**6. A more realistic approach would be to establish manufacturing of defence products for new or state of the art technology. Manufacturing Units located in Bangalore, Pune, Jabalpur, Hyderabad, Mumbai, etc. have already created industrial eco-system of ancillary units around them which would have to either replicate themselves in the proposed industrial corridors or supply accessories and sub-components over extended lines of communication thus increasing the manufacturing cost.** However, if we aim for establishing industries based on new technologies, then a new eco system could easily come around the new industrial units. For example there are many SMEs that are wanting to become part of the AK 103 project in Korva, UP but are not getting the desired hand holding by our civil and military bureaucracy. Also industries based on new technologies or even technology transfer arrangements would find better export opportunities.

7. Possible technologies that may have scope for establishment in these two corridors are:-

(a) Overflow and or ancillary products of Arty guns from OF Jabalpur.

(b) Electronic components which are being introduced in modern vehicles being manufactured either by Vehicle factories or private vehicle manufacturers.

(c) In aerospace sector, HAL is the leader and it already has a setup in UP. However, in the current state, HAL is already behind schedule in meeting orders of the three services, hence there is a scope to ramp up manufacturing by establishing component manufacturing of some of its ongoing products to meet the target of the country and also explore export possibility.

(d) Another area which looks promising with scope for recurring production demand is manufacturing of Ammunition and explosives for air crafts, armoured, arty, Air Defence and Infantry weapon systems.

(e) Similarly, the focus could also be directed towards niche communication and electronics systems based on AI. Countries that will emerge as leaders in Robotics for war fighting, drones both armed and un-armed for surveillance and fire support and 5G & 6G communication technologies will dominate the future landscape of warfare.

(f) The government could also order a feasibility study for setting up manufacturing units for components and equipment required for Space based systems and platforms needed for defence purposes. Communication, navigation and anti-satellite systems are a few examples. But for all this to materialize, availability of skilled manpower is essential. Skill development in the proposed industrial corridors to enable induction of niche technology hubs would be axiomatic. Unless we do this one of the aims of these corridors to generate employment to the locals especially in the case of UP would remain elusive.

8. Developing the defence corridors into flourishing manufacturing hubs as envisioned by the Prime Ministers is not an easy proposition to execute. It is fraught with uncertainties and prone to sabotage by our own bureaucratic procedures rules and regulations. **The initiative needs handholding between the SPs, Government, MSMEs and SMEs, the state governments, defence PSUs and foreign partners to succeed. It also begs for an overarching central steering committee that monitors the progress of the industrial corridors to make any headway.** In the current and the foreseeable future to meet the two and a half front threat, we have no choice but to become Atmanirbhar in our defence needs.

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