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## The arms and the minister

*By Manmohan Bahadur*

The debate about the turbulence in India's economic health is worrisome for defence procurement plans. The defence budget has been declining over the past decades, with this year's allocation at a record low of 1.56 per cent of the GDP. With the RBI's latest report marking down the overall GDP figure for FY 2017- 18, the amount available in the government's kitty for the next fiscal would be even lower — especially considering the social initiatives of the government.

### **Discourse**

With many other 'breaking news' events taking centre stage in the national discourse, the effect of the economic slowdown on defence preparedness has not received the attention it deserves. While it is extremely heartening to see the new defence minister moving among armed forces personnel, celebrating Diwali at Air Force Station Car Nicobar and introducing events like daily meetings with the armed forces' chiefs, it is time to address acquisition issues beseeching the government for attention. The 2017-18 allocation for the three services is `262,390 crore, of which the revenue budget takes the lion's share of `1,75,861 crore, or 67 per cent of the allocation. That has left only `86,529 crore for capital procurements of which, after catering of contracts concluded earlier, only around 10 per cent or `8,000-odd crore are left for new schemes. This is peanuts! The announcements made routinely of new proposals being passed after every meeting of the Defence Acquisition Council give a false sense of progress being made — the proof of the pudding lies in if, and when, contracts get signed in time. A five-step process is needed to ameliorate the almost critical situation we find ourselves in. First, for the tri-services' Long Term Integrated Perspective Plan (LTIPP) to have any sanctity, it must have the sanction of the CCS, else it would remain a wish list as it is today. Since CCS sanction would oblige the government to commit financial resources, there would be due diligence in the finance ministry vetting the LTIPP for a 15-year period and laying aside monies and not leaving defence allocations hostage to monetary decisions made on social and other considerations. For this, the defence ministry leadership must get the ongoing LTIPP passed through the finance ministry and PMO grinder and made into a realistic document on which the services can tailor their acquisitions and operational plans for the next 10 years — till 2027.

### **Procurement**

Second, between now and 2027 when the next LTIPP would be issued, rationalisation of single service procurements must be conducted on the basis of inter-se prioritisation of tasks and competencies. For sure, there would be some overlap in procurements for roles germane to basic tasks and missions of a service, but India is not rich enough to have the luxury of each service having an elaborate air arm — Special Forces, air defence paraphernalia, et al. A call, a tough call, must be taken on this akin the decision of the UK which has decided to cut down its Army Aviation Corps by a quarter! Third, the strategic partnership model, which has been accepted, must see the light of day if the private industry is to make any progress in setting shop for big-ticket items that affect our strategic autonomy; the progress of the IAF's single engine fighter and Navy's helicopter acquisitions are test cases of the government's resolve.

### **Decision**

Fourth, a decision on the recommendation of the Dharendra Singh Committee of having an independent and professional defence procurement executive/agency/authority, call it what you may, outside the defence ministry, must be taken. This would be sacrilege for the bureaucracy but till the procurement process is freed from red tape and run professionally, the dream of setting up a vibrant Indian defence industry would be a lost cause. Which brings one to the fifth basic, and a crying, requirement of having professionals running our acquisition organisations: What happened to professional training of the bureaucracy and service officers for defence procurements that so many committees have recommended? The defence minister must, post haste,

ask for the latest position of this foundational necessity, else the ignominious tag of being the largest importer of arms in the world would take a long time to shake off. The China-Pakistan nexus is strengthening and recent reports from Doklam, despite Beijing's 'withdrawal,' indicate a stiffening of the dragon's attitude towards India. Other indicators are the non-sharing of water data and cancellation of the traditional annual border meetings on October 1 at five designated border posts commemorating China's National Day. The deteriorating security environment around us obligates the leadership to invigorate the indigenisation drive. The ball is in the defence minister's court and the anticipation generated on her appointment must not be a case of fleeting effervescence.

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# THE TIMES OF INDIA

Tue, 31 Oct, 2017

## 'Make in India' Projects Come Undone

By Rajat Pandit

*Defence Plans Worth Rs 3.5 Lakh Cr Stuck*

Bureaucratic bottlenecks, long-winded procedures, commercial and technical wranglings, coupled with the lack of requisite political push and follow through, have ensured that no major "Make in India" project in defence has actually kicked off in the last three years.

**CHOKED BY RED TAPE**

<p><b>1 FIFTH-GENERATION FIGHTER AIRCRAFT</b></p>  <p><b>Scope</b>   127 swing-role stealth fighters for over \$25 billion (₹1,62,500 crore)</p> <p><b>Approval</b>   Pact with Russia in Oct 2007; \$295m preliminary contract in Dec 2010</p> <p><b>Status</b>   Final R&amp;D contract yet to be inked after thumbs down from the IAF</p>	<p><b>2 NAVAL MULTI-ROLE HELICOPTERS</b></p>  <p><b>Scope</b>   Produce 123 anti-submarine warfare helicopters for over \$3 billion (₹19,500 crore)</p> <p><b>Approval</b>   Got 'acceptance of necessity' to buy 16 choppers in 2008. But tender scrapped</p> <p><b>Status</b>   RFI for 123 choppers issued in August 2017</p>	<p><b>3 LIGHT UTILITY HELICOPTERS</b></p> <p><b>Scope</b>   200 Kamov-226 helicopters for over ₹6,500 crore</p> <p><b>Approval</b>   Agreement with Russia in Dec 2015. Earlier, tenders for 197 choppers from abroad scrapped thrice in 10 yrs</p> <p><b>Status</b>   JV formed but final contract yet to be inked</p>
<p><b>4 MINE COUNTER-MEASURE VESSELS</b></p>  <p><b>Scope</b>   12 warships to detect &amp; destroy enemy mines for ₹32,000 crore</p> <p><b>Approval</b>   Navy hunting for MCMVs since July 2005</p> <p><b>Status</b>   No contract yet between Goa Shipyard &amp; South Korean shipyard Kangnam</p>	<p><b>6 FUTURE INFANTRY COMBAT VEHICLES</b></p>  <p><b>Scope</b>   2,314 armoured vehicles for ₹60,000 crore</p> <p><b>Approval</b>   Got 'acceptance of necessity' in Oct 2009</p> <p><b>Status</b>   Dispute over whether 2 or all 5 contenders, plus OFB, should make detailed project reports</p>	
<p><b>5 PROJECT-75 (INDIA) SUBMARINES</b></p>  <p><b>Scope</b>   6 new stealth diesel-electric submarines for ₹70,000 crore</p> <p><b>Approval</b>   Got 'acceptance of necessity' in November 2007</p> <p><b>Status</b>   4 foreign vendors responded to RFI issued in July 2017. Selection of Indian shipyard yet to begin</p>		

Stock-taking of half-dozen mega projects, collectively worth over Rs 3.5 lakh crore, shows they remain stuck at different stages without the final contracts being inked. They range from future infantry combat vehicles (FICVs), light utility helicopters and Naval multi-role choppers to new-generation stealth submarines, mine counter-measure vessels (MCMVs) and fifth-generation fighter aircraft (FGFA).

The initial request for information (RFI) for another major 'Make in India' project, to manufacture 114 single-engine fighters in a second production line after indigenous Tejas light combat aircraft, of course, is also about to be issued. But though the Gripen-E (Sweden) and F-16 (US) jets are already in a dogfight to bag the estimated Rs 1 lakh crore contract, it'll take years for indigenous production

to take off.

Defence ministry (MoD) officials contend minister Nirmala Sitharaman is holding meetings of the defence acquisitions council every fortnight, as also reviewing projects on a case-to-case basis, in a bid to break the bureaucratic and other logjams.

“These are big complex projects for a country which cannot even manufacture specialised ammunition. They will take some time,” said a senior official. Some steps have indeed been taken to boost the private sector's role in defence production through “strategic partnership” and other policies, besides according top priority to “indigenous design, development and manufacturing (IDDM)” category in the Defence Procurement Procedure.

But India is still far away from reducing its strategically-vulnerable dependence on foreign military hardware and software. PM Modi's talk of defence as the cornerstone of his “Make in India” thrust is also yet to translate into concrete reality .

The Rs 60,000 crore FICV project (see graphic), first approved in October 2009, for instance, remains deadlocked over whether two or all the five Indian private firms in the fray, apart from the Ordnance Factories Board, be asked to design and build prototypes.

“Sitharaman is holding meetings to break the FICV logjam... It will be resolved soon,” said an official. Mean while, the Army's plan to induct 835 FICVs by 2017, with another 1,479 coming by 2022, has gone for a complete toss.

Similarly , the Rs 32,000 crore contract to manufacture 12 MCMVs at the Goa Shipyard in collaboration with South Korean shipyard Kangnam is yet to be inked despite a renewed push from Manohar Parrikar when he was defence minister in February 2015. “Negotiations are stuck because Kangnam wants deviations from the initial tender,” said a source.

The FGFA project with Russia to co-develop and coproduce an Indian variant of its Sukhoi T-50 fighter, in turn, has taken a steep nose-dive after the IAF raised doubts about its stealth capabilities, engine performance, high cost and delivery time-frame.

Under a 2010 pact, India and Russia conducted preliminary design work worth \$295 million, but the final R&D and production contract has been hanging fire since then. It will take around \$25 billion to make 127 such single-seat jets in India. “It will have to be a top political decision whether to go in for the FGFA project or junk it,” said a source.

Another project with Russia, the Rs 6,500 crore plan to manufacture 200 Kamov-226T light utility helicopters, is also in the doldrums despite an inter-governmental agreement in 2015. “The joint venture has been set up. But the request for proposal is yet to be issued to the JV to submit its techno-commercial offer,” said the source.



*Tue, 31 Oct, 2017*

## **Rules eased to give arms & ammo cos a fresh incentive**

The ministry of home affairs (MHA), in a bid to boost domestic manufacture of arms and ammunition as part of the government's `Make in India' initiative, has notified new rules that allow licences for arms manufacturing to be valid for lifetime. Until now, the licences had to be renewed every five years.

The new arms rules have also slashed the licensing fee for arms and ammunition manufacture from Rs 500 per firearm, which when added up turned out to be a huge sum and deterred applicants, to a range of Rs 5,000-50,000. The condition that small arms and light weapons produced by the licensee firm be sold to the Centre or state governments with the MHA's approval has also been dispensed with.



On Monday , the MHA said the liberalised arms rules would not only boost 'Make in India', but also generate employment in the arms and ammunition manufacture sector. "The liberalised rules are expected to encourage manufacturing activities and facilitate the availability of worldclass weapons to meet the requirement of the armed forces and police forces in sync with country's defence indigenisation programme," the ministry said in a press release.

The new rules will be applicable to licences granted by the home ministry for small arms & ammunition, as well as those granted by the department of industrial policy and promotion (DIPP) for tanks and other armoured fighting vehicles, defence aircraft, spacecraft, warships of all kinds, arms and ammunition and allied items of defence equipment. Under the new rules, notified by the MHA on October 27, the enhancement of capacity by up to 15% of the quantity approved under the licence would not require any further approval from the government. The manufacturer only needs to intimate the licensing authority beforehand.

The fee for licence shall be payable when it is granted, rather than at the time of application. A single manufacturing licence will be allowed for a multi-unit facility within the same state or in different states.

The new rules require the licensee to set up the facility for manufacture or proof-test of arms and ammunition, recruit technical and administrative staff, develop and proof-test prototypes, etc within seven years of the grant of a licence. This is extendable by three years based on a written representation recording the reasons. If the licensee fails to meet the deadline, or is unable to take other steps required for starting commercial production, the licence shall be suspended or revoked, the MHA said.

## THE ASIAN AGE

Tue, 31 Oct, 2017

### DGMO warns Pakistan over terror

*Indian DGMO reiterated that armed terrorists infiltrate from Pak, cross the LoC and target Indian Army posts with heavy calibre weapons.*

New Delhi: Indian Army's director-general of military operations (DGMO) Lt. Gen. A.K. Bhatt told his Pakistani counterpart on Monday that Pakistan Army's support to terrorism is unacceptable and India will continue to take all retaliatory measures to respond to such acts.

Responding to Pak DGMO Maj. Gen. Sahir Shamshad Mirza's accusation on the telephonic hotline that the Indian security forces was resorting to unprovoked firing along the Line of Control (LoC), Lt. Gen. Bhatt said the support provided to the terrorists by the Pakistan Army was the prime reason for any "collateral damage".

The Indian DGMO reiterated that armed terrorists infiltrate from Pakistan, cross the LoC and target Indian Army posts with heavy calibre weapons.

"Pakistan Army has employed civilians at the forward posts and accorded permission for permanent locations of civilians in the vicinity of Pakistan Army posts," the Army said, adding that these civilians have repeatedly been used for gaining information of locations of Indian troops and providing guides to the terrorists while crossing the LoC.

The telephonic conversation was requested by the Pakistani side.

"He reiterated that this support to terrorism by the Pakistan Army is unacceptable and the Indian Army will continue to take all retaliatory measures as well as retain the right to punitively respond to such provocative acts of aggression from the Pakistani side," an Army statement said.

It said Lt. Gen. Bhatt also clarified that the Indian Army always maintains impeccable standards of professionalism and does not target civilians.

“On the contrary, Paki-stan Army has employed civilians at the forward posts and accorded permission for permanent locations of civilians in the vicinity of Pakistan Army posts,” the Army said.

It said that these civilians have repeatedly been used for gaining information of locations of Indian troops and providing guides to the terrorists while crossing the LoC.

The LoC in Jammu and Kashmir has witnessed a spurt in ceasefire violations by the Pakistani troops and the Indian Army has been retaliating effectively to Pakistani actions.



Tue, 31 Oct, 2017

## **N-deal won't stop Iran from producing missiles**

*Several times in the speech, Rouhani took aim at the US for what he called its "shaky" commitment*

Iran has not stopped building missiles and has no intention of doing so, said President Hassan Rouhani. Rouhani's remarks came on Sunday, three days after the US House of Representatives approved legislation that would impose new sanctions on Tehran for pursuing longrange ballistic missiles, the Los Angeles Times reported. In a speech carried on nationwide television, Rouhani insisted that no international agreements prohibit the development of such nonnuclear weapons, and that Iran has a right to produce them for its own defence. "We will build, produce and store any weapon of any kind we need to defend ourselves, our territorial integrity and our nation, and we will not hesitate about it," he said, according to a translation provided by the Iranian Students News Agency. Several times in the speech, Rouhani took aim at the US for what he called its "shaky" commitment to the nuclear deal negotiated under the Obama administration.

US President Donald Trump has consistently attacked the deal, and recently refused to certify that Iran is living up to its end, although he did not pull out of the agreement as he has threatened to do. "The administration of a country that abandons international commitments of the previous administration is not reliable," the Iranian leader said. In negotiating and signing the nuclear deal with the US, Rouhani frequently clashed with more conservative forces in Iran who opposed any cessation of the country's nuclear weapons program. But there is near unanimity across the political spectrum in Iran on maintaining a robust missile program. "The missile project is a red line for everybody," said Saeed Laylaz, an economist and journalist who is considered a political moderate and reformer. "Nobody allows any country to put limits on its defensive military programme." Hamid Reza Taraghi, an influential conservative politician who is close to Iran's supreme leader, Ayatollah Ali Khamenei, agreed. "All neighbouring countries in the region have missiles," he said in an interview. "Israel has nuclear weapons, Pakistan and India have nuclear warheads, then we cannot have missiles? Give me a break."

Meanwhile, the head of the International Atomic Energy Agency (IAEA) Yukiya Amano has said Iran is living up to its commitments under the 2015 international nuclear deal, the media reported. Since January 2016, the IAEA has monitored Iran's nuclear commitments under the nuclear agreement, known as the Joint Comprehensive Plan of Action (JCPOA), and conducted verification checks, said Amano on Sunday, Xinhua news agency reported. "The agency believes that the JCPOA is an important achievement for verification. The agency could stipulate that Iran's nuclear commitments under the JCPOA are being implemented," he was also quoted as saying by Press TV on Sunday, according to Xinhua. Amano made the remarks in a press conference with Iran's nuclear chief Ali Akbar Salehi.

The IAEA is in charge of monitoring restrictions on Iran's nuclear program under the nuclear agreement. So far the agency has released eight reports each time confirming Iran's adherence to the international nuclear pact. Amano will also hold talks with Iranian President Hassan Rouhani and Foreign Minister Mohammad Javad Zarif focusing on the verification and monitoring of the implementation of the nuclear deal. Amano's visit comes amid US President Donald Trump's earlier remarks that Washington could not formally certify Iran's compliance with the nuclear accord. Washington has also demanded inspections of Iran's military sites,

which Tehran has rejected. On Sunday, Salehi said that he had exchanged views with Amano about Section T of the JCPOA, which deals with the technology that could contribute to the development of a nuclear explosive device. Section T does not include special inspections, but the United States is making its own special interpretation of the provision, Salehi was quoted as saying by Press TV. He warned that "we can produce uranium enrichment at 20 per cent within four days, but we do not want the JCPOA to collapse." Following the nuclear agreement between Iran and the major world powers in 2015, which was implemented in January 2016, Iran agreed to stop the enrichment of uranium to 20 per cent level.



*Tue, 31 Oct, 2017*

## **Tehran skips UN conference on nuclear energy in Abu Dhabi**

Iran's nuclear deal with world powers may hang in the balance, but you wouldn't know it at the United Nations conference on atomic energy held today in the United Arab Emirates. Iran decided to skip the Abu Dhabi conference, leaving its seats empty as Yukiya Amano, the head of the International Atomic Energy Agency, avoided speaking about the nuclear deal at all in his address at the venue. Iranian officials did not respond to a request for comment to discuss their decision to avoid the conference. At a later news conference, Amano himself declined to discuss it.

"This conference is open to all the countries and we welcome the participation of all the countries," Amano said. "But of course it depends on each country whether to attend or not. I do not comment on Iran's participation. It is (up to) Iran to decide." Amano's decision to avoid mentioning Iran earlier may have been tactical. He visited Tehran just the day before and told journalists that Iran still honoured the 2015 accord. Both the UAE and neighboring Saudi Arabia remain highly suspicious of the nuclear deal, which saw economic sanctions on Iran lifted in exchange for it limiting its enrichment of uranium.

The two Gulf Arab countries say that new money flowing into Iran has aided its ability to back Shiite militias in Iraq and support embattled Syrian President Bashar Assad. Also sharing that suspicion is Israel, which sent a delegation to the nuclear conference. The UAE, like many Arab countries, does not have diplomatic ties with Israel and remains opposed to its occupation of lands Palestinians want for a future state. Conference organisers asked journalists not to film the Israeli delegation. Israeli officials did not immediately return a request for comment. Their presence also nearly created a unique diplomatic conundrum, as conference organizers had seated them next to Iran.

The Iran nuclear deal, struck in 2015, now faces one of its biggest threats. President Donald Trump has declined to re-certify the deal, sending it to Congress to address. Trump's refusal this month to re-certify the agreement has sparked a new war of words between Iran and the United States, fueling growing mistrust and a sense of nationalism among Iranians. The European Union, Britain and other parties in the deal have all encouraged Trump to keep the accord in place.