

Will Modi's “Make in India” programme benefit from Japanese defence industry?

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As part of the annual prime ministerial meeting, Japanese Prime Minister Shinzo Abe visited India to participate in the 12th Indo-Japan Annual Summit. This year the bilateral talk began with an inauguration of the much anticipated Mumbai-Ahmadabad High-Speed Rail (MAHSR). The project cost of 1.1 Lakh crore is partially funded by the Japanese as part of its infrastructure assistance to India. Moreover, the project presents a huge opportunity for both India and Japan to expand the cooperation in other areas.

Prime Minister Abe visit came at the backdrop of two major regional events – the stand-off between India and the Chinese army over Dokhlam as well as continuing North Korea nuclear and missile threat. Both the events have drawn much attention in this year’s annual summit. The Joint Statement captured recent development in the bilateral cooperation.

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Importantly, the joint statement made a concrete effort to reassure each other by affirming their support to “value-based partnership in achieving a free, open and prosperous Indo-pacific region.” The joint statement also took a dig at Chinese (One Belt, One Road) initiative by underlining the importance of “ensuring the development and use of connectivity infrastructure in an open, transparent and fair process.” Both the sides also condemned strongly North Korea and Pakistan for disturbing regional peace and global order.

The defence cooperation is a cornerstone of the bilateral relationship. The MALABAR trilateral naval exercise provides great impetus to the Indian navy. India will be in strong cooperation with the Japan Maritime Self-Defence Force (JMSDF) and the US Navy. The two sides agreed to continue the military-to-military engagement and discuss issues of common interest.

Though both the prime ministers declared their commitment to cooperate on defence equipment and technology, one is still in the dark on the level of commitment from both the sides. The US-2i amphibious aircraft is a classic example of failure in which both sides have not been able to finalise a deal despite several rounds of consultation. This clearly shows the problem in Indian defence acquisition policy and why many foreign countries are reluctant to invest in “Make in India” defence programme.

India believes Japanese defence industry can play an important role in “Make in India” programme. Though the US-2i procurement is getting delayed, in 2015, Indian Navy has issued Request for Information (RFI) to Japanese manufacturers. India wants Japan to participate in the project 75 (I), helping the country to build six advanced submarines with air-independent propulsion (AIP) system. Japanese Soryu-class submarine is one of its kind which can offer Indian navy great advantage in the submarine warfare. After losing Australian submarine bid to French shipbuilder Direction des Constructions Navales Services (DCNS), Japan sees an opportunity in India’s project 75 (I) programme.

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This year, Indian Defence Minister Arun Jaitley paid two consequent visits to Japan. His primary goal was to focus on strengthening cooperation over defence equipment. During his visit to Japan in the month of May 2017, the Defence Minister made some interesting observation about challenges India is facing in acquiring defence equipment from Japan. He spoke about various reforms the present government has undertaken to attract foreign investment in the country. He has also laid out his plan of giving incentives to foreign companies that are interested in setting up defence manufacturing bases in India.

This is a significant statement as he himself is under huge pressure to decide on the strategic partnership with the private sector for defence equipment. Defence Minister Jaitley also indicated that India is looking at Japanese technology for local manufacturing of defence equipment. The cooperation would be “both for the purpose of buying (from Japan) and any possibility of India domestically manufacturing with their technologies.”

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Before handing over the defence portfolio to his successor Mrs Nirmala Sitaraman, Mr Arun Jaitley revisited Japan this September to take part in the annual India-Japan defence ministerial dialogue. He intending to discuss bilateral cooperation in defence production, including dual-use technologies etc. But the cooperation in defence equipment and technology has not gained much prominence in the Joint Statement issued by two prime ministers. This clearly signifies that Japan is still reluctant on agreeing to some of the demands, such as transfer of technology (ToT) to India and co-production of equipment in India.

It also raises two major issues concerning the Japanese interest in pursuing its defence cooperation with India. Firstly, though India and Japan are steadfastly cooperating over several matters, the latter sees India's close military ties with Russia as a major impediment in co-development of defence equipment. Japan fear the transfer of technology to India will expose its technological capability to Russia.

Secondly, given India's complex defence acquisition policy, Tokyo feel that it will be difficult for it to compete with other Foreign Original Equipment Manufacturers (OEMs) who have already found a place in the Indian defence sector. Japan's failed bid to secure the Australian submarine programme is a classic example of how Japanese industry lack international experience when it comes to selling defence equipment. India, thus, needs to allay the fear of Japan while working hand-in-hand towards addressing the crucial gaps in the bilateral defence cooperation.