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India picks French Rafale jet in \$12bn deal

France's Dassault selected as preferred bidder for 126 planes, after Eurofighter consortium bid knocked out of running.

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Dassault is set to sign a contract with India for 126 of its Rafale jets, after other bids were ruled out

India has selected the French firm Dassault over the Eurofighter consortium as the preferred bidder for 126 fighter jets in a major contract estimated to be worth \$12bn.

Dassault won the right to enter into exclusive negotiations with India after lodging a lower bid than its European rival in the world's biggest single defence deal currently in process, an Indian government source told the AFP news agency on Tuesday.

Dassault, whose Rafale fighter had been pitted against the Eurofighter Typhoon, said it was "honoured and grateful" to be selected and stressed its commitment to meeting the "operational requirements" of the Indian air force.

The French government welcomed the news, but added that the final contract had yet to be signed.

"At this stage - and I want to be cautious - we are in a phase of exclusive negotiations," Pierre Lellouche, the French minister for foreign trade, told France's BFM radio.

Lellouche declined to release financial details of Dassault's bid.

Dassault's shares soared more than 20 per cent on the Paris stock exchange after the news broke.

The contract has been fiercely fought over for four years.

In April, India pulled a surprise by cutting out US bidders Boeing and Lockheed Martin - much to Washington's disappointment - as well as dropping Sweden's Saab AB and the Russian makers of the MiG 35 from the race.

That left Dassault and Eurofighter - a consortium of Britain's BAE Systems, Italy's Finmeccanica and the European Aeronautic Defence and Space Company (EADS).

Tough negotiations

James Hardy, Asia-Pacific editor of *Jane's Defence Weekly*, said the decision was "a big win for the Rafale" but warned that the French side faced a period of tough negotiations.

"Rafale has been selected as the preferred bidder but any student of Indian procurement knows that this means nothing until the contract is physically signed," Hardy said.

He predicted that the recent sharp depreciation of the Indian currency and "standard contractual wrangling" could delay any final deal for years.

Hardy said the Typhoon had been widely tipped as the favourite, and that the decision was a major blow to countries such as Britain who had lobbied hard for the Eurofighter bid.

The tendered contract was for the outright purchase of 18 combat aircraft by 2012, with another 108 to be built in India with options to acquire more.

Eventually, the deal might expand to include as many as 220 aircraft over a ten year period,

worth \$25 to \$30bn.

Intense lobbying

Such a large order attracted strong lobbying during visits to India by US President Barack Obama, French President Nicolas Sarkozy, British Prime Minister David Cameron and Russian President Dmitry Medvedev.

India, the biggest importer of military hardware among emerging nations, issued the request for proposals in 2007, and trials of aircraft from the six companies competing for the deal began a year later.

The procurement of the fighter jets is a key part of India's military upgrade programme, aimed at securing its borders against rivals Pakistan and China.

Dassault's Rafale plane and the Eurofighter Typhoon were both in action over Libya last year during the international operation to enforce a no-fly zone and protect civilians from Muammar Gaddafi's forces.

Both plane makers were relying on the contract to secure their futures amid falling defence budgets in developed markets, with Dassault also keen to sign up the first foreign buyer for its Rafale plane.

Gerard Longuet, the French defence minister, warned in December that the Rafale production line would be halted if none of the jets could be sold abroad.

France has ordered 180 of the planes.