



## Prospects for Indo-U.S. defence cooperation

In the last one decade, India and the United States of America have enhanced the defence cooperation from almost a new beginning to a constantly evolving one and steadily moving in an upward trajectory. The ball was set rolling in this strategic relationship with the Kickleigher Proposals in the year 1991 but was actually fructified with the signing of the New Framework Agreement (NFA) in June 2005.

The key yardsticks identified for operationalising this relationship were a) joint and combined military exercises and exchanges and b) increased opportunities for equipment sales, technology transfer, collaboration, co-production and research and development.

Institutional mechanism like the Defence Policy Group (DPG), Defence Joint Working Group (DJWG), Defence Procurement and Production Group (DPPG), Senior Technology Security Group (STSG), Joint Technical Group (JTG), Military Cooperation Group (MCG) and finally the Defence Technology and Trade Initiative (DTTI) all came up at different stages to support the above aspirations.

The institution of the 2+2 bilateral dialogue with the defence and foreign ministers of both the countries and its continuation since 2018 has also further added to the strategic cooperation and institutional guidance.

In 2016 the U.S. government declared India as a 'Major Defense Partner' (MDP) which allowed India to receive defence technologies at par with those provided to the closest allies of the U.S. - NATO plus 5. In the same year India signed the Logistics Exchange Memorandum of Agreement (LEMOA), the first of the 3 foundational defence pacts that is needed to be signed by a country to obtain high-tech military hardware from the U.S.

In September 2018, the Communications Compatibility and Security Agreement (COMCASA) was also signed and very soon the remaining pact, Basic Exchange and Cooperation Agreement for Geo-spatial

Cooperation (BECA) is likely to be signed.

During U.S. President Donald Trump's visit to India in February 2020, this relationship was further enhanced to the 'Comprehensive Global Strategy Partnership' (CGSP).

**Table: Indo-U.S. Defence Trade Transactions**

Year	Nature of Transaction	No.	Value
2015	AH-64 Apache Attack Helicopter	22	\$2.17bn
2015	CH-47 Heavy Utility Lift Helicopter	15	\$1.2bn
2015	AH-64 Apache Attack Helicopter	22	\$807mn
2016	Harpoon Anti-ship Missiles	12	\$149mn
2016	M777 Howitzers	145	\$737mn
2016	P-8I Aircraft	4	\$1bn
2018	C-17 Transport Aircraft	1	\$282mn
2020	AH-64 Apache Attack Helicopter	6	\$797mn
2020	MH-60R Multi-role Navy Helicopter	24	\$2.12bn
2020	Follow-On Support for C-17 aircraft		\$637mn

Simultaneously the Defence Technology and Trade Initiative (DTTI) that was started in 2012 between the two countries has also set its target to look at avenues to facilitate a collaborative approach towards joint development and then finally take it to production stage. The four (4) areas in the first phase and the next two (2) have been now supplemented with the signing of another three (3) projects during the 2 + 2 dialogue and also the finalisation of the standard operating procedures for setting forth future implementation guidelines.

In December 2018, the signing of the Memorandum of Intent between the U.S. Defense Innovation Unit (DIU) and the Indian Defence Innovation Organisation– Innovation for Defence Excellence (DIO-iDEX) had also set the roadmap for possible defence research on a sustained basis. A further boost was provided with the signing of the Industrial Security Annex (ISA) during the 2+2 dialogue in December 2019 which provides the framework for exchange and collaboration between private industries from both the countries.

Defence trade between the two countries has touched USD 20bn now from zero in 2008. As per Stockholm International Peace Research Institute (SIPRI), India's defence purchases from the U.S. have increased by a whopping 569 per cent from 2013 to 2019. India now buys 15 per cent of its defence equipment from the U.S. In the same time, defence imports from Russia came down to 58 per cent. In the 10 years prior, India had imported 76 per cent of its defence equipment from Russia. That explains a lot for the future journey also.

India has been focussing a lot on building indigenous defence capabilities for the last few years. This got a fillip when Indian Prime Minister Narendra Modi announced the Make in India and Make for the World policies and also decided to implement the 43 recommendations of the Dhirendra Singh committee's report submitted in July 2015 that emphasised on building India's defence manufacturing capacity at multiple tiers.

The U.S. companies also have been consciously trying to enhance their participation by going beyond the foreign military sales (FMS) route to other routes like the direct commercial routes (DCS) and hybrid versions. For the Apache helicopters, the fuselage and aerostructures will be manufactured by the Tata Boeing Aerospace Limited (TBAL) in Hyderabad and is an outcome of the hybrid procurement process.

Both TBAL and Tata Lockheed Martin Aerostructures Limited (TLMAL) which has been manufacturing airframe components of the C130J aircraft and S92 Sikorsky helicopters are harbingers for more engaging and symbiotic relations and moving away from only buyer seller relationship. Defence technology transfers from the U.S. and subsequent manufacturing in India under licensing has to be enhanced now that the ISA has been signed.

This is crucial to bring the Indian military industrial ecosystem to scale and also support the nascent and

aspirational Indian private sector to invest in the defence sector.

India has also been improving its Defence Procurement Policy (DPP) and all of the iterations have been efforts to simplify the procurement system and address concerns that have erupted in implementation and this will tremendously help the further strengthen the defence relation between the two countries.

A revised draft of DPP 2020 has been prepared by MOD and is under review now. The focus of these changes are relating to defence procurement processes, offset policies, indigenisation of spares, transfer of technology, attracting global OEMs to establish manufacturing facilities in India, expanding India's our presence in international supply chains and other defence related issues.

There is a clear strategy on energising the private sector into more avenues of defence innovation and production and the possibility of niche relationship with U.S. corporations for local and global markets for optimal roles.

In this testing period of Covid19, the prime minister held a meeting to discuss reforms for India's defence industry that will help to meet the short and long term needs of the armed forces and boost the economy. The discussions involved reforming the ordnance factories, streamlining procurement procedures, focused resource allocation, encouraging research and development, attracting investment in critical defence technologies and promotion of exports.

The Finance minister gave a further boost to that confidence with her announcement in mid-May of the defence reforms including an increase in FDI in defence from the current 49% to 74 % under the automatic route.

With the possibility of cooperation with the U.S. on many areas of defence, there will be a better opportunity for the U.S. companies to participate in India's future defence ecosystem. Besides the prospects of DTTI being expanded to future avenues like artificial intelligence and network enhancements is possible and will expand the horizons.

The fact remains that there has been a steady progress in many areas of bilateral defence cooperation: the need remained to optimise the possibilities with a more focussed approach.

*This Policy Note is written by Subimal Bhattacharjee, Former Country Head, General Dynamics in India.*