

Defense News Conclave

Stories of U.S. - India Defense Partnership

WORKSHOP REPORT

INDIA-U.S. COLLABORATIONS IN DEFENSE INDUSTRY, TECHNOLOGY, INNOVATION AND TRADE

30 JUNE 2022, 18:30 hours – 20:00 hours (IST)

SUMMARY

At the second workshop under the Defense News Conclave Project, experts discussed the relevance of India-U.S. collaborations in defense industry, technology, innovation and trade. The panel discussion highlighted that attaining various defense milestones over the past few years has enhanced cooperation in critical and emerging technologies. Both the prospects as well as practical impediments to technological collaborations were the focal points of this workshop. Panellists also discussed the opportunities created by India's amended defense policies, including indigenization initiatives, to bolster co-production and co-manufacturing with U.S. firms. In addition, the panel discussed strategies to match both countries' technological and trade expectations. They suggested potential collaborative opportunities to bolster innovation and trade in high-technology areas, including critical and emerging technologies.

PANELLISTS

- Sandhya Sharma, (*Editor, Technology Policy and Foreign Policy, ET Prime*)
[Moderator]
- Richard M. Rossow, (*Senior Adviser and Wadhvani Chair in U.S.-India Policy Studies, Center for Strategic & International Studies*)
- Colonel KV Kuber, (*Director, Aerospace and Defense, Ernst and Young LLP*)
- Subimal Bhattacharjee, (*Independent Consultant on Defense and Cyber Security and Former Country Head, General Dynamics*)

BACKGROUND & CONTEXT

The [Defense News Conclave](#) project is being implemented by CUTS International. Supported by the U.S. Department of State (U.S. Consulate Kolkata), this project aims to create awareness about the importance of U.S.-India defense relations, particularly in the context of contemporary developments in the Indo-Pacific region. The target audience is media professionals, including journalists from all over India. The second workshop focused on India-U.S. defense collaborations in defense industry, technology, innovation, and trade.

INTRODUCTION

The Master of Ceremony welcomed the Panellists, Moderator, and Participants, and briefly introduced the Defense News Conclave Project to the audience. The moderator, Sandhya Sharma, set the tone for the session by laying out the historical context of India-U.S. defense relations, from the Kargil war till the Galwan conflict.

KEY TAKEAWAYS

Richard Rossow remarked that it was the right moment for expanding India-U.S. defense relations both bilaterally, as well as multilaterally through initiatives like Quad. However, he cautioned that there still existed challenges to expanding cooperation that needed to be dealt with. He pointed to the fundamental mismatch in the terms of India-U.S. defense trade – while India was looking to go beyond the buyer-seller relationship and secure access to technology, American companies remained reluctant to share advanced defense technologies. While such technologies are developed and held by the private sector, the opportunities for technology transfer were further limited by restrictive U.S. government regulations.

Rossow observed that India's decision to enhance local defense production by lifting foreign investment regulations and incentivizing foreign and domestic companies has created scope for U.S. defense firms to invest in India. However, he opined that it remained challenging for U.S. companies to set up manufacturing units in India.

Among the major hurdles, he counted the limited defense capital expenditure budget, the decline in the manufacturing sector's share in GDP, dearth of reliable basic infrastructure, including the high cost of input goods, lack of small suppliers, and logistics costs. He suggested that state governments need to play their parts in creating a manufacturing-friendly environment.

Rossow spoke at length about the Defence Technology and Trade Initiative (DTTI), recognising its potential in facilitating co-production and co-manufacturing in high technology areas. However, he mentioned that no projects of any significance have emerged out of DTTI so far. Given its aspirational nature, and the fact that it is an initiative unique to India, the DTTI remains promising and more projects should be taken up under this framework.

Rossow also commented that India's indigenization drive, while of some concern to U.S. arms manufacturers, would not alter strategic ties, as arms transactions were not the main driver of the India-U.S. defense relationship.

He also repeatedly emphasised the need for the U.S. to build trust in the overall bilateral partnership. Potential sanctions on India under CAATSA (Countering America's Adversaries Through Sanctions Act), he cautioned, could be a serious setback to the growing relationship. Any areas of disagreement should not be skirted, and Rossow advised both sides to have frank conversations on such areas in order to truly take the defense relationship forward.

Colonel KV Kuber began by rejecting the notion that it was the China factor that was bringing India and the U.S. together. He observed that it was mutual trust, and no third country, which was and would continue to be the driving force for India-U.S. bilateral ties, both in commercial and geopolitical areas. He noted that the 2+2 dialogue and the DTTI were cornerstones of the relationship, which were driving forth the defense partnership.

Kuber observed that the DTTI aims to transform and transmigrate the buyer-seller relationship between India and the U.S. into a co-production and co-manufacturing one. He remarked that both countries had different perceptions of DTTI – while India sought to focus on the first 'T' of technology, the US sought to veer the conversation to the second 'T' of trade. Yet, he pointed to the Air-Launched Small Unmanned Systems, lightweight small arms technology, and intelligence, surveillance, target acquisition, and reconnaissance (ISTAR) projects as some successful examples of projects operationalized under the DTTI.

Importantly, he observed that there could be some disconnect between the U.S. government and American private defense firms, which effectively led to technology denial in a subtle manner (despite India having been recognized as a major defense partner of the U.S. in 2016). He also mentioned the need for the U.S. to loosen its International Traffic in Arms Regulations (ITAR) regime.

Kuber stressed on the need for India and the U.S. to focus on specific negotiations on technology transfer, going beyond overall framework-level discussions. He emphasized that the U.S. approach to defense trade needed to shift from anti-Russia to pro-industry. In addition, he pointed out that India has strong capabilities in Artificial Intelligence (AI) & Machine Learning (ML), and combining this with the hardware capabilities of the U.S. would enhance the development of critical and emerging technologies (C&ET). He remarked that the combined power of hardware, software, firmware, and brainware could steer the India-U.S. defense technology partnership.

Subimal Bhattacharjee observed that the India-U.S. partnership has evolved from mistrust to deep trust, after facing many trials and tribulations. He recognised this partnership as providing thrust to India's desire to be both a net security provider and net defense exporter, while at the same time sending the right messages to India's adversaries about its capabilities. Subimal remarked that America remained the best bet at this point when the world was passing through a period of great uncertainty.

Subimal emphasised the need to have a relook at DTTI, maintaining focus on the most viable projects. He also noted that while research and development cooperation under the DTTI had not been very successful so far, such a relook could set the ball rolling. Importantly, he pointed out how through the evolutionary process of signing the U.S' India-specific versions of the foundational agreements, Indian defense policies had undergone significant overhauls.

In his opinion, India and the U.S. should collaborate on technology design, development and use, and pursue dialogues on critical technology supply chains, including a commonly evolved supply chain monitoring mechanism.

Subimal spoke at length about the scope of India-U.S. partnerships in both bilateral and multilateral platforms, including the India-U.S. AI dialogue which had created opportunities to adopt and implement programs to bolster AI in defense-related applications. Besides this, the efforts in the Quad on C&ET, cyber security, 5G, and the development of common standards also offer avenues for bilateral cooperation within a multilateral umbrella. All these could converge in the development of a trusted network system.

Subimal clarified that the *Atmanirbharta* initiative did not seek to eliminate all other outside players, and there remained significant scope for gaps to be filled with the help of American technologies. He also suggested facilitating greater forms of hybrid foreign military sales, as well as shifting focus to defense MSMEs.

The panel discussion was followed by a lively Q&A session. Participants posed questions on diverse topics such as the prospects of the liberalized regime for Foreign Direct Investment (FDI) in the defense sector, inter-university collaborations for defense studies and research, and priority projects for cooperation in the coming years, along with India's various *Atmanirbhar* defense initiatives.