

# India's Defense Environment: Emerging Opportunities, Historic Constraints

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**NOTE: The views expressed here are personal, and do not reflect the policies of the US Naval War College, the US Navy, the Department of Defense, or any other US government agency**

# Threats

- China
  - Ongoing territorial dispute
  - Increasing presence in IO region
- Pakistan
  - Ongoing territorial dispute
  - Links to terrorism
- Internal Security threats
- Maritime Issues
- Nuclear issues
  - Capabilities in region
  - Proliferation concerns
  - Civilian nuclear energy

# Opportunities

- Economic reforms leading to very rapid economic growth
  - Defense spending as a percentage of GDP decreasing, but increasing substantially in real terms
- End of Cold War
- Transformed relationship with USA
  - Greater domestic interaction
  - Growing economic links
  - Emerging new international/security relationship
    - “Strategic Partnership”
    - New US maritime strategy

# India's Defense Budget: Patterns and Trends

	2001	2002	2003	2004	2005	2006	2007 (est)	2008 (est)	2009 (est)	2010 (est)
INR	650	664	710	871	938	998	1106	1200	1303	1431
USD	13.81	13.69	15.29	19.28	21.33	22.10	25.28	27.21	29.54	32.46

- (Source: Jane's Defense Budgets 24 April 2007)
- Note: These budget figures include military pensions, which are normally kept separate from the Defence Budget in Indian practice
- All figures in billions

# Indian Defense Procurement: Patterns and Trends

	2001	2002	2003	2004	2005	2006	2007 (est)	2008 (est)	2009 (est)	2010 (est)
<b>INR</b>	<b>144</b>	<b>123</b>	<b>137</b>	<b>281</b>	<b>272</b>	<b>271</b>	<b>334</b>	<b>373</b>	<b>416</b>	<b>472</b>
<b>USD</b>	<b>3.06</b>	<b>2.54</b>	<b>2.95</b>	<b>6.23</b>	<b>6.19</b>	<b>6.01</b>	<b>7.58</b>	<b>7.37</b>	<b>8.25</b>	<b>9.39</b>
<b>Army</b>	<b>1.16</b>	<b>0.85</b>	<b>0.74</b>	<b>1.64</b>	<b>1.59</b>	<b>1.55</b>	<b>1.92</b>	<b>1.89</b>	<b>2.11</b>	<b>2.41</b>
<b>Navy</b>	<b>0.91</b>	<b>0.72</b>	<b>0.97</b>	<b>1.43</b>	<b>1.79</b>	<b>1.78</b>	<b>2.05</b>	<b>2.08</b>	<b>2.33</b>	<b>2.65</b>
<b>Air Force</b>	<b>1.00</b>	<b>0.98</b>	<b>1.24</b>	<b>3.17</b>	<b>2.81</b>	<b>2.69</b>	<b>3.61</b>	<b>3.40</b>	<b>3.81</b>	<b>4.33</b>

- (Source: Jane's Defense Budgets 24 April 2007)
- Figures in billions

# Share of Defense Budget

	ARMY	NAVY	AIR FORCE	R&D
2007/8	47.2%	18.26%	28.15%	6.13%
2003/4	52.38%	18.53%	23.61%	5.59%
2000/1	56.18%	14.88%	21.38%	6.74%

- (Source: Indian Ministry of Defence Annual Reports)

# Key elements of Indian defense modernization efforts

- Strategic (nuclear) forces
  - Establishment of Strategic Forces Command
  - Nuclear doctrine
  - Delivery capabilities: IRBM, SLBM?, SLCM
- Jointness
  - Integrated Defense Staff; doctrine?
- Development of Army doctrine
  - “Limited war”; “Cold Start”
- Force projection capability
  - Indian Maritime Military Strategy
- Replacing obsolescent weapons stocks
- Defense production reform

# Indian Defence Procurement: Historic Priorities

- Emphasis on technology acquisition
  - Multiple sources, most modern technologies
- Emphasis on domestic production
  - Under license
  - By state-controlled infrastructure
    - Defence Public Sector Units
    - Ordnance Factories
- Emphasis on indigenous research, development, and production
  - Defence Research & Development Organisation
- Minimal role for Private Sector

# Complicating Factors in Procurement Policy

- Self-sufficiency versus self-reliance
  - The problem of “reliable partners”
- Licensed versus indigenous production
  - “Re-inventing the wheel”
  - Structural and institutional impediments to technology *absorption* (after acquisition)
- Global versus regional standards
  - High expectations for indigenous products rarely met
- Weak bureaucratic position of military
- Contracting difficulties
  - Corruption concerns
  - Inability to spend procurement funds in a timely manner

# Defense production reform: “Champions of Industry”

- 2007 “Raksha Udyog Ratnas” (RUR) program
- 12 or 13 private firms
  - Can design, develop and produce systems for MoD
  - Can produce items developed by DRDO
  - Apply to import equipment for defense R&D duty free
  - Apply for up to 80% funding from MoD for defense related R&D
  - Enter into technology transfer and licensed production agreements with overseas firms
- Creates direct competition between private and public sectors for defense production for the first time

# India's new security environment

- The value of soft power
  - Greater international influence
    - Ability to create new partnerships
    - Enhances public confidence
    - Reduces concerns over direct and indirect attack
      - Invasion/infiltration
      - Sanctions/"containment"
  - More resources available (especially FOREX)
    - Defense spending grows in real terms
    - Better market for foreign producers
    - Private sector involvement in defense production
      - Greater domestic competition
      - Improvements in quality, deliverables, and absorption

# A note of caution

- Elements of Indian leadership and society still distrust the US
  - Pakistan
  - Nuclear sanctions
- Technology acquisition will remain an Indian priority
- Transformation, in Indian terms, may move much more slowly than the US expects or hopes
  - Budget process remains complicated
  - Role of military and private firms still emerging
  - Limits to Indian capacity to engage US and enlarge interactions with USG and US firms