

**CHAPTER III**  
**THE SIGNIFICANCE OF SIGNING THE**  
**AGREEMENT: THE EFFORTS OF INDIA TO**  
**MAINTAIN REGIONAL SECURITY AND BALANCING**  
**CHINA'S INFLUENCE IN THE ASIA – PACIFIC**  
**REGION**

Chapter III will describe about the history of relations between India and China, then examining China as a new rising global super-power. The core in this chapter is to explain the impacts and benefits of the agreement for India in two subtopics. First is how the Agreement showed the effort of India together with the US to maintain regional security and balancing China's influence in the Asia- Pacific Region by conducting joint military Exercises with the US. Second, is to show the efforts to strengthen India's Defense Industry in order to upgrade India's Military equipment by bolstering arms trade between India and the US.

**A. The History of Relations between India and China**

As two countries which possess old and great civilization in the world history with profoundly human populations nowadays, India and China are struggling to reach the supremacy in Asia and the World. Both are nuclear powers which having the attempts to seriously concerned in the global economy and developing military capabilities in order to pursue the expanding ambitions. The problems and fierce conflicts in the historical journey of both Countries are occurred mainly dealt with unresolved border dispute that turns into war. The problems in the border area went on into major barriers in the Sino-Indian relationship with little combat at the frontier happening since 1962. Since China and the USA tried to bring back their relations to be more harmonious in 1972, India came closer to the Soviet Union in order to balance the Sino-US-Pakistani ties. The former Indian Prime Minister Rajiv Gandhi, initiate a new step in order to flip over the Sino- Indian relationship when he visited Beijing and approved the agreement with purposed together to get a

just and reasonable completion while try in finding mutually acceptable accomplishments to the border strife. Then both are agreed to form a Joint Working Group (JWG) to investigate the border problems and take into consideration any possible accomplishments (Malik, 2004: 2).

Since the millennium era up until recent years, India and China seemingly have developed stronger and tight relations, and they attempt to lower the possibilities of occurring conflict and enlarge the cooperation in many sectors. The Indian Minister of External Affairs attended the meeting as a sign for the continuation of high-level dialogue between both States in 1999, with the result of declaration that both are no threat to one another. They also conducted a bilateral security dialogue, to assist the two States to communicate and share their security matters freely. Some distinction acts cannot be the barrier for the continuation for emphasizing both countries relations and to the growth of functional co-operation elsewhere between the two sides (Pant, 2011: 234- 235).

India and China also agreed to accelerate the process of demarcation of the Line of Actual Control (LAC), and the JWG on the boundary problems, made in 1988, and has conducted a regular session. Both States agreed to take the first actions in this way which is exchanged border maps on the least controversial Middle Sector of the LAC. in 2005, both countries also agreed on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, which contain broad principles to govern the parameters of any dispute settlement. China has declared its willingness to look for a 'fair' resolution to the vexed boundary issue by 'mutual accommodation, respect for history, and accommodation of reality.' (Joseph, 2005)

The Economic affairs between India and China stand as one of the most important matters of the strategic and cooperative partnership. Their economic connection has expanding and increasing in the post-reform years. In the present years, the trade relations between India and China lie at \$70.59 billion, which give formidable occasions for traders

and investors from both States in areas such as agriculture and food processing, asset management, construction and infrastructure, pharmaceuticals, electronics, and information technology, and transport and logistics. The sectors that potentially also become attention for the Indian Prime Minister Narendra Modi such as in railways, smart cities, infrastructure and urban transport for cooperation. These have actually become the opportunities for India in order to enlarge the scope for technical and financial cooperation with China in specific "Make in India" sectors like thermal power, renewable energy, railways, construction, ports, and media & entertainment. (Ananta Center, 2016: 3)

India and China have been through the actual distinction in their developmental process in the last two decades, but the problems acquired are pretty much the same for instance income inequality, gender inequality, rural-urban gaps, and unemployment problems. Indeed that these matters can show both sides distinctively in economies and all possible areas, their respective domestic economic developments are likely to impact in the bilateral dialogues. India and China also actively involved as members in some regional forum such as BRICS (Brazil, Russia, India, China, and South Africa), Shanghai Cooperation Organization (SCO), East Asia Summit, Basic Groups on Climate Change and G20 (Ananta Center, 2016: 3)

In some cases, both countries can be either in the same direction or not — the one cooperation that called The RCEP (Regional Comprehensive Economic Partnership) which aimed to bring them together on a joint trade negotiation forum but yet to be effective in result. The other form of possible attempt to be closer with China is the status of India as the member of Asia Infrastructure Investment Bank (AIIB) and the New Development Bank of BRICS. China can utilize India's significant role in these institutions and gain benefits for the future negotiations of both Countries (Ananta Center, 2016: 4).

Regarding the status of China as a new emerging power in Asia- Pacific region, the suggestion that China rising power

possibly lead to instability and insecurity over the Asia-Pacific current order. Besides, China also has the program to modernize its armed troops, the People Liberation Army (PLA), with the purpose to develop its power in the entire Asia-Pacific region. It is undeniable that there is a massive expansion in China's economy and also the steps to tremendously increase its military power. As to implications, China prepares to free and challenge from the political and strategic subordination from the United States which has been firmly holding the pattern and understanding of the global architecture after the Cold War (Anam, 2014: 125- 126).

India's status recently is one of the significant regional and emerging global powers in both economic and military fields. By possessing military personnel of some 1.2 million persons, now face beyond the threat of conflict from across the Pakistani border, from both state and non-state actors, to rivalry with China in the Himalayan border region and in new areas such as the South China Sea, the Straits of Malacca, and the greater Indian Ocean Region. India previously has become the liable side in Indian Ocean Region with the competence to put its troops in the littoral states and safeguard trade roads and offshore resources in there (Nawaz, 2014: 2).

### **B. China as Global Rising Superpower**

In the journey of world history, many argued that China was preparing and project itself to grab the most exceptional power status in all dimensions in the world. China's defense budget annually is nearly US\$ 200 billion, and it is purchasing power parity terms (PPP), are approximately near to the total amount of US annual defense budget which is US\$ 683 billion. Some Chinese Generals made some points that in case of creating open enmity with many big powers, they would return it by 'unrestricted warfare' towards its enemy, which are by making responses that sometimes were un-match with any normative international standards. They have shown it in the case of the South China Seas, the island disputes with Japan, the Philippines, and Vietnam, etc., when the willingness of

resolving together is smaller compare with their agendas (Sen, 2016: 10- 11).

A study that carried out by the Pentagon stated that World Order that has been maintained by the US since the period of World has been cracked or even fallen and made the US lost it is supremacy as World Superpower (Ahmeed, 2017). The Collapse of US supremacy happened due to the development of some Countries abroad. Pentagon saw Russia and China as two Countries who caused the US decline. Both Countries especially China, actually has benefited from the global order lead by the US. However, they also brave enough to ruin US domination in the World Stage (Ahmeed, 2017). Pentagon considered China's actions did not categorize as a provocation or promoting conflicts. Even though, it is capable of lifting China's popularity in international affairs (Cipto, 2018: 6- 7)

Additionally, some policies have shaking China's domination in world affairs. For example is the China's maneuver on economic diplomacy when launched the Belt and Road Initiative (BRI) projects that can be classified as mega-projects in the economic sector that many Western Countries never did previously. This project which involved 65 countries including some developed Countries, naturally increases the popularity of China quickly as the Country with stable and reliable Economic capability. The project did not create any provocations neither any conflicts locally or globally. Otherwise, many Countries has given warm embraces and strategically be able to shake the domination of the US through the BRI projects (Cipto, 2018: 7).

The role form Chinese elites are significant in formulating strategy in order to acquire China's status as a Global Superpower. However, in the beginning, this ambition was not the primary concern even though they still kept this hope due to the status of China as the most substantial economic power in the early 19<sup>th</sup> Century. The history of this glorious fact is indeed can be a preference for China to keep and grab back the Superpower ambitions in the future, at least

in realizing the goal to become the most reliable power in economic, military and politics (Cipto, 2018: 13- 14).

In the early of China's independence in 1949, they plan to become the industrialized Country. Alongside with the Soviet Union when they were at good ties initially, they built a hundred big industrial companies across China. In the next chapter in vociferous Chinese years, the Chinese leader Deng Xiaoping made re-arrangement to turn the policy of Chinese Economy into 'market socialism.' Then, many world investors came to China in order to build companies in special economic zones to start manufacturing activities of goods for the world market, using the fact that Chinese labor was less expensive than in any other places. Also, China ran on various consumer and industrial goods by a substantive copy and reverse engineer. In the next thirty years, China turned into the world 'workshop' of the inexpensive cheap consumer goods. It also enacted a classic mercantilist policy of 'sell more and buy less.' In consequences, it would increase their accumulating vast foreign exchange reserves around US\$3.5-4.0 trillion in 2016 (Sen, 2016: 11).

China seems to have multiple strategies to fulfill its ambition to become a Superpower Country since there is no formal written document about the actual strategies. On the contrary, many Chinese Elites in high-level politics try to formulate the strategic direction solely to reach the status. Deng Xiaoping previously invited the Chinese people to focus on developing the domestic economy rather than mingling on the international affairs, similarly, Hu Jintao that stressed out on the full of peace development. Specific changes have occurred when Xi Jinping, explain China's future strategies focusing on the effort to reach the glorious past ambition to become Superpower (Cipto, 2018:15).

### **China's Military Power**

China has launched the long-term, comprehensive modernization of the armed forces of the People's Republic of China (PRC) which get into a new stage in 2015 by revealing sweeping organizational reforms to checkup whole military structure. The purpose of this reform is to confirm the Chinese Communist Party's (CCP) dominate on the military, extend the ability of the PLA to be able held joint operations, and increasing it's capability to fight in short-duration, high-intensity regional conflicts at more significant distances from the Chinese core land (Department of Defense USA, 2016: i).

Chinese top officials try to find methods to influence more on China's growing military, diplomatic, and economic matters in promoting its ambitions to build regional supremacy and broaden its impact in the world stage. They have explicitly focused on the modernization of the People's Liberation Army (PLA) as a crucial point to gain great power status and committing to the calls from Chinese President Xi Jinping as the "China Dream" of national reform. They depict a strong military as crucial mater to promote China's interest, preventing other States from taking into the move that potentially would harm those interest, and to make sure that China is capable of preserving it is existence and sovereignty (Department of Defense USA, 2016: i).

**Table 1. China Military Profile 2018**

<b>China Military Profile in 2018</b>	
<b>Categories</b>	<b><i>Total</i></b>
<b><i>Personnel (Active in Combat Units)</i></b>	915.000
<b><i>Group Armies/Army Corps</i></b>	13
<b><i>Combined Armed Brigades</i></b>	78 (include 5 with the amphibious role)
<b><i>Tanks</i></b>	7.400
<b><i>Artillery Pieces</i></b>	10.600
<b><i>Aircraft Carriers</i></b>	1
<b><i>Destroyers</i></b>	28
<b><i>Frigates</i></b>	51
<b><i>Corvettes</i></b>	28
<b><i>Tank Landing Ships/ Amphibious Transport Dock</i></b>	33
<b><i>Medium Landing Ships</i></b>	23
<b><i>Diesel attack Submarines</i></b>	47
<b><i>Nuclear Attack Submarines</i></b>	5
<b><i>Ballistic Missiles Submarines</i></b>	4
<b><i>Coastal Patrol (Missiles)</i></b>	86
<b><i>Coast Guard Ships</i></b>	240
<b><i>Fighters</i></b>	1.490
<b><i>Bombers/ Attack</i></b>	530
<b><i>Transport</i></b>	400
<b><i>Special Mission Aircraft</i></b>	130

Source: Annual Report to Congress: *Military and Security Developments Involving the People's Republic of China 2018*, Department of Defense United States of America.



As a Country which possess the most significant armed forces and number two economic power in the world, China certainly willing to establish themselves as a global military power to support the ambitions becoming Superpower. The US-China economic and security Review Commission predict that if China can realize their power projection plan in the future will raise the possibility for regional conflict in the South China Sea and the East China Sea. The report stated that sophisticated advancement would create the PLA are capable of executing any military operations abroad (Gert, 2016).

China will not slow down the military modernization program for it is armed forces. In fact, according to the report from International Institute of Strategic Studies (IISS) in 2017 mention that the capabilities of China's military are closer to the West including exceeding the capabilities of some NATO member Countries. The report also explicitly mentioning that China successfully developed short-range guided missiles called PL10 that only a few Western countries can develop. China is not only potentially threatening Western Fighter jet if any conflict happened, but also ready to sell those technologies to other Countries. These are potential could burden the Efforts from the West to make a particular influence in the developing States (Cipto, 2018: 45- 46).

Chinese top officials take dangerous actions when concerning on advancing the needed capabilities in order to prevent or defeating enemy power projection and counter proxies including the US interference in the time of crisis or conflict. The aim modernization program in China's military is creating capabilities that possess the possibility to lower threat mainly from US military technological advancement. China's formally display military expenditure increased at an average approximately of 9.8 percent per year in inflation-adjusted terms from 2006 until 2015. Moreover, the serious commitment from the Chinese leader to consistently in favor for defense spending expanding for the coming future, although sometimes in the condition when the economic growth descending (Department of Defense USA, 2016: i).

### **C. The Benefits of the DFA 2015 for India: the Efforts to Maintain Regional Security and Balancing China's Influence in the Asia-Pacific Region**

India is an independent and sovereign state with a quite strong military capability, but their involvement in the Asia Pacific region cannot be separated from the influence from the US as one of their partner in the defense sector. In fact, in the post-US led War in the Middle East, the direction of US foreign policy concerned on their pivot point in Asia, because they saw that it is one of the key drivers of international politics. The US stood on their significant role in the regional security patrolling Asia's Sea Lanes and maintaining stability for decades. The US Secretary of Defense Ashton Carter in 2015 has given his tremendous statements regarding his footsteps on the next stage of the US Rebalance to the Asia Pacific, he said.:

“Asia Pacific is the defining region for our nation's future given a few data points: half of humanity will live there by 2050, even sooner by 2030 more than half of the global middle class and its accompanying consumption will come from there, and it is already home to some of the world's largest militaries and defense spending.”  
(Defense U.D. Secretary of Defense Speech, 2015)

The US initiative of “Rebalance” seems to need Indian support, both in the field of politics and military. Both Countries have highlighted the strategic significance of their defense relations and also the expanding strategic convergence between the US “Rebalance” and India's “Look East-Act East” policy, in purposes to reach intensive role of India in Asia that is at the core of the historical transformation of the world today (Bana, 2016: 3). The clear statement from the former Prime Minister P.V. Rao, in 1991 has initiated the “Look East” Policy, with the significant point which is “a strategic shift in India's vision of the world and India's place in the evolving global economy.” it is indicating how

substantial and necessary that India broadens his "eyes" to the Eastern part of Asia (Ladwig, 2010: 112).

On the other hand, Beijing considered the step of Washington in it is the policy of "pivot" as an American effort to restrain Chinese influence across the region and encouraging Countries bravely in contesting China when maritime disputes occurred. The term "rebalance," also related to the strategy designation to move 60 percent of the US' naval assets up from 50 percent to the Asia-Pacific region by 2020. China's aim and intention for increasing their profile in the region due to the need of their energy-demand export-driven economy that is so dependent on raw material and fuel imports. So they will try to maintain it is sustainable position over the regional Sea Lines of Communication (SLOCs) and it is significant for the stability and preservation of the whole Asia-Pacific community (Bana, 2016: 2).

In the post-Cold War era, India has launched some intense efforts to direct its foreign, economic, and military policies eastern region. They initiated and then expanded into full- spectrum collaboration with big powers of East Asia, such as Japan and the US and also close economic cooperation with South East Asia Nations. In that way, India has already made a position to influence the emerging security architecture of the Asia Pacific due to the fast advancement of partnership with some significant actors in the Asia Pacific region (Ladwig, 2010: 112). As Jawaharlal Nehru wrote as far back in 1944, in his book *The Discovery of India* (Sudhir, 2006):

"The Pacific is likely to take the place of the Atlantic in the future as the nerve center of the world. Though not directly a Pacific state, India will inevitably exercise an important influence there. India will also develop as the center of economic and political activity in the India Ocean area, in Southeast Asia, right up to the Middle East. Her position gives economic and strategic

importance in a part of the world which is going to develop in the future"

There are some arrangements of cooperation and the possibility of conflict due to power shifting in the Asia-Pacific region. The two Giant nations in the region which are the US and China looks to bravely balance each other can be depicted from many shapes of either bilateral or multilateral forum. The Vexing situation regarding the constant conflict in the disputed territory looks understandable in the area that considered as the most vibrant marine biodiversity area, recognized as the South China Sea. The area also significance since it is the most massive sea traffic in the world, which many Countries conscious in gaining benefits from there (Ramadhani, 2016:78).

China and India possess some several interests in the India Ocean Region. For instance, in the energy sector, Beijing and New Delhi are continuously depended upon hydrocarbon resources. China footsteps are one step forward to win the rivalry related to oil assets in some States such as Kazakhstan, Ecuador, Nigeria and so on. A single obstacle that inhibiting China is that they need to go through India's "backyard" to save the transportation of their resources abroad for example oil from East Africa and the Persian Gulf to arrive in China. China has assisted some Countries in the littoral region such as Pakistan, Burma and Sri Lanka in which they have some problematic intercourse with India is one of the China's efforts to make their interest safe. Afterward, many Indian Scholars argued that the China's favor for Pakistan and also its encroachment into the Indian Ocean is part of encirclement strategy to India and bolster their influence in the South Asia region (Ladwig, 2010: 115)

The Geo-political importance of Indian Ocean potential to steadily increase since it is littoral areas contains more than two-thirds of the global oil deposits, and 35 percent of the global gas deposits, 60 percent of uranium, 40 percent of gold and 80 percent of all diamond reserves. These tremendous

facts indeed attract many Countries, for example, the oil imports percentage in the Indian Ocean Region sea- traffic is Japan with almost 90 percent, Italy 85 percent, Britain and Germany 60 percent and France almost 50 percent. The other things that made the Indian Ocean is so significant are dealing with the economic activity of raw materials. These include lithium, beryllium, zirconium, thorium, coal, iron, copper, manganese, tin, bauxite, chromite, nickel, cobalt, vanadium and phosphates (Michel, 2012).

In essence, India and the US have to experience even not all similar, regarding security attention in the case of China's expanding military power. They also contrast from China concerning democratic political systems. Even so, it is only during Modi leadership the Indian Government has been more in view to follow the US criticism of China, for instance in declaring shared promote for freedom of navigation in the South China Sea. The 2015 U.S.-India Framework agreement shared commitment together to bolster cooperation in the field of maritime security and also advance the capability of both sides to preserve sovereign and safety of lawful commerce and freedom of navigation along sea lines of communication [SLOC], in regard with the norms and rules of international law(Weitz, 2017: 26):

Both Countries through its Minister of Defense have launched a joint statement of intent to make sure "freedom of navigation and over-flight throughout the region, including in the South China Sea" on April 2016. They also declared a favor to a "rules-based order and regional security architecture conducive to peace and prosperity" in the Indo-Asia Pacific region and commitment to participate together with other States to keep "security and stability" in that area. Narendra Modi also gave same clear language when he came to Washington on June 2016. The Indian Administration has carried out implementing joint military patrols with the United States or other associates in the South China Sea (Weitz, 2017: 26- 27).

The actual efforts from India to maintaining security and stability in both the Indian and Pacific Ocean Region is by conducting some training and joint operations with the US annually. In 2018, the Indian Navy together with the Japan Maritime Self Defense Force (JMSDF), and the U.S. Navy held Malabar naval war games in waters off Guam. It was the 22nd edition of annual naval training that happened from June 7<sup>th</sup> to 16<sup>th</sup> in the island of Western Pacific and will be arranged in two stages which are firstly at the harbor that took place at Naval Base Guam from June 7<sup>th</sup> to 10<sup>th</sup>, and then at sea area from June 11<sup>th</sup> to 16<sup>th</sup>. Similar with 2017, India again rejected the Australia willingness to join in the 2018 recurrence of the training. In the previous occasions, they mostly held in the Indian Ocean region, involving the Bay of Bengal (Gady, 2018).

**Table 2. The Main Armaments in the Malabar Naval Exercises 2018**

<b>Military Institutions</b>	<b>Main Armaments</b>
<b>Indian Navy</b>	<ul style="list-style-type: none"> <li>• The INS <i>Kamorta</i>, the first of four anti-submarine <i>Kamorta</i>-class stealth corvettes; the INS <i>Sahyadri</i>, a <i>Shivalik</i>-class stealth multi-role frigate; and the <i>Deepak</i>-class fleet tanker INS <i>Shakti</i>, as well as a P-8I Neptune, advanced maritime patrol/ anti-submarine warfare aircraft.</li> </ul>
<b>US Navy</b>	<ul style="list-style-type: none"> <li>• USS Ronald Reagan, <i>Nimitz</i>-class Supercarrier The <i>Ticonderoga</i>-class guided-missile cruisers. USS <i>Antietam</i>, USS <i>Chancellorsville</i>; the <i>Arleigh Burke</i>-class guided-missile destroyers USS <i>Mustin</i> and USS <i>Benfold</i>; a <i>Los-Angeles</i>-class nuclear-powered attack submarine, one P-8A Poseidon maritime surveillance/anti-submarine warfare (ASW) aircraft.</li> </ul>
<b>Japan Maritime Self Defense Force (JMSDF)</b>	<ul style="list-style-type: none"> <li>• the 19,000-ton JS <i>Hyuga</i> as the lead ship of the <i>Hyuga</i>-class of helicopter carriers; the <i>Takanami</i>-class guided-missile/ASW destroyer JS <i>Suzunami</i>; the <i>Akizuki</i>-class guided-missile destroyer JS <i>Fuyuzuki</i>; and a diesel-electric attack submarine, as well as one Kawasaki P-1 maritime patrol aircraft</li> </ul>

Source: <https://thediplomat.com/2018/06/india-us-and-japan-to-hold-malabar-naval-war-games-this-week/>

Over the years, the exercise has expanded regarding the scope and various difficulties. The exercise will take place both ashore and at-sea training off the coast of Guam in the Philippine Sea, as the U.S. Navy said in a statement that (Gady, 2018) :

“Training will focus on high-end warfighting skillsets, subject matter expert and professional exchanges, combined carrier strike group operations, maritime patrol and reconnaissance operations, surface and anti-submarine warfare, medical operations, damage control, helicopter operations and visit, board, search and seizure (...) operations.”

The US stands on their argument regarding the significant role that they have underwritten regional security for decades, conduct a patrol in Asia's sea lanes and hold stability, then their existence necessarily will give a more in the region contributing a role in the region (Ramadhani, 2016:79). While in the Malabar Exercise 2017, Gurpreet Khurana, Indian Navy captain and executive director of the National Maritime Foundation said that in essence, Malabar is a conjoined effort between India, the US and recently added with Japan, in order to convert their national-strategic convergences in the Indo-Pacific region into well functioned maritime-military cooperation. (Raghuvansh, 2017):

So, Malabar Exercise is undoubtedly an essential effort for both Countries to maintain regional security and stability in the Asia Pacific region. For the US, it has become the evidence that they have never been genuinely absent from Asia- Pacific region mainly in Southeast Asia region, the ongoing commitment to it is regional allies, and feature extensive maritime military presence. The perception that the US influence in regional affairs has been diminishing since China's emerging cannot be easily ignored (Anwar, 2013). For India, they can increase the capabilities of their military by



consistently working and learning together with the US as one of strongest military on earth.

**D. The Benefits of The DFA 2015 for India: The Efforts to Strengthen India's Defense Industry to Upgrade India's Military Equipment by Bolstering Arms Trade with the US**

The Indian economy is consistently moving to an excellent position in the condition of uncertain global economic circumstances, with the initial approximates of the Gross Domestic Product (GDP) indicating an expanding of over seven percent per year for three subsequent years between 2014-15 and 2016-17. This condition is likely to be constant approximately at 6,75- 7,5 percent in 2017- 18, as calculated by the recent Economic Studies. Other than the GDP progress, the economy has also experienced other stable macroeconomic index relating to inflation, fiscal consolidation, current account deficit, rupee-dollar exchange rate, foreign exchange reserves, and foreign investment inflows. In the field of defense, India possesses a huge defense industrial cornerstone with 41 Ordnance Factories (OFs) and 9 Defence Public Sector Undertakings (DPSUs), together creating the public sector element; and over 100 private corporates. The Defence Research & Development Organization (DRDO), India's premier defense research organization, possesses more than 50 laboratories by its control (Nisith Desai Associates, 2018: 2).

Many global defense corporates decided to expand their investments in India. There have occurred many joint-venture proclamations in the field in the previous two years. Such big A&D companies, for example, Airbus, Boeing, Lockheed Martin, and Safran already possessed a footmark in Indian trading, with further investments planning in the future. For example, Airbus declared a joint-venture with Mahindra Defence Systems to produce helicopters for the Indian military in 2017. Boeing also has gotten into a joint venture with Tata

Advanced Systems in December 2015, where they plan to produce fuselages of *Apache* Helicopters in India (Nisith Desai Associates, 2018 :3).

In the further continuation with the sector opens up, there are going to be a rise in global defense corporates getting into the Indian market. India agreed to sign 15 contracts valued of \$10.5 billion with foreign companies in 2016 (until October 2016) including deals for 145 M777 lightweight Howitzers. One of the biggest defense deals in history is the Medium Range Multi-Role Combat Aircraft agreed with the French manufacturer *Dassault* for 36 *Rafale* fighter jets. Multiple projects have been fast-tracked, for example, the first six Scorpene diesel-electric attack submarines were taken out in December 2015 and are running sea experiment (Nisith Desai Associates, 2018 :3).

The same, the first induction in the Indian Air Force indigenously produced the first squadron of LCA *Tejas* in July 2016. In the previous two years, India has decided to sign defense cooperation agreements and MoUs with more than 20 Nations, joined the Missile Technology Control Regime, and bolstered bilateral relationships with major suppliers. For example, India agreed in a military logistics agreement with the US and acknowledged as a 'major defense partner,' which will permit license-free entrance to a broad scope of dual-use technologies. India is also entering into the collective process of cultivating a fifth-generation stealth combat aircraft with Russia through the PAK-FA/ FPGA projects, by the collaboration between HAL and *Sukhoi* (Nisith Desai Associates, 2018 :3).

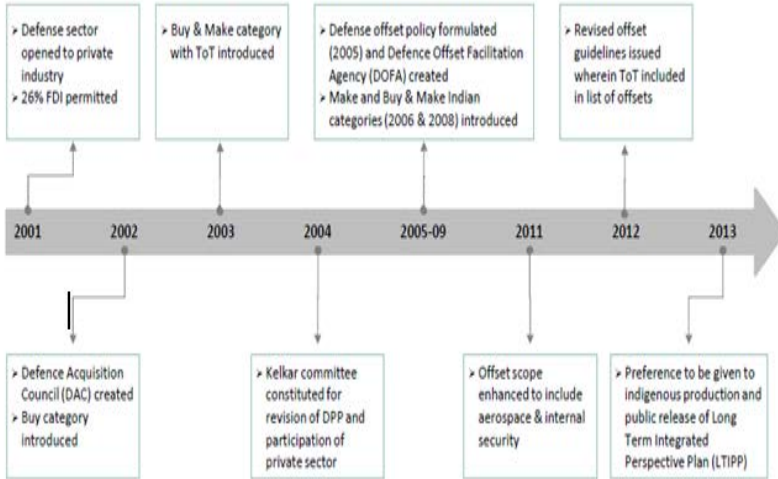
In the period of Def-expo event 2018, the Indian Prime Minister Narendra Modi reaffirmed the crucial concern on the indigenization in the producing of weapon systems and the responsibility of Government to alter India into a defense industry forefront. However, he recognized the difficulty of

the duty and the slow improvement in “Make in India” programs. The current Indian Defense Minister Nirmala Sitaraman stated that India would not only produce for the aim of import substitution but would also bolster defense manufacture to export Indian national defense abroad (Bhardwaj, 2018: 1).

The Defence acquisition is not a standard open market mercantile kind of procurement and has specific specified characteristics for example supplier constraints, technological complexity, foreign suppliers, high cost, foreign exchange implications, and geopolitical divarication. While in order to hold the sustainable in the highest standards of transparency, probity and public accountability, an equilibrium between competing requirements such as expeditious procurement, high-quality standards, and appropriate costs are essential. As an outcome, the decision making relating to defense procurement stays specific and complex (Ministry of Defence, 2016: xi ).

Self-reliance is a very important corner-stone in which the military capacity of any nations must lie. There is also enormous potential to affect the human resources and engineering capability of the nation itself for reaching self-reliance in design, development and producing in the field of defense. It is consequently the utmost significance that in the concept of “Make in India” stays as the focal point of the defense acquisition policy/procedure. There is a requirement to institute approving provisions for utilization and consolidation of design, and manufacturing infrastructure existed in the country. That requirement has also been necessary for recognizing strategic counterparts for bolstering defense manufacturing in the private sector (Ministry of Defence, 2016: xi). The Diagram for Defense Procurement Procedure can be depicted below:

## Diagram 1. Development in Defense Procurement Procedures



Source: Virginia Economic Development Partnership- International Trade. [www.exportvirginia.com](http://www.exportvirginia.com)

India's fulfillment on defense requires on the dependency on imports. The aim of the opening in the field of defense by the joining from the private sector will assist foreign original equipment producers to get into strategic partnerships with Indian Corporates as well as impacting the domestic markets to reach out the global markets. Also, by assisting in establishing domestic capabilities, it hopefully can also expand the exports for an extended period later on. Diagram 3 showed about the categorization in India's Defense Procurement Policy in order to clearly show the kind of cooperation that can be implemented. Indeed, the ultimate goal is to create Indian Defense Industry relied on their own self-fulfillment and be able to export in the future instead of just constantly buying from abroad without any indigenization or product licensing ability. Defense Production Policy 2011 has bolstered

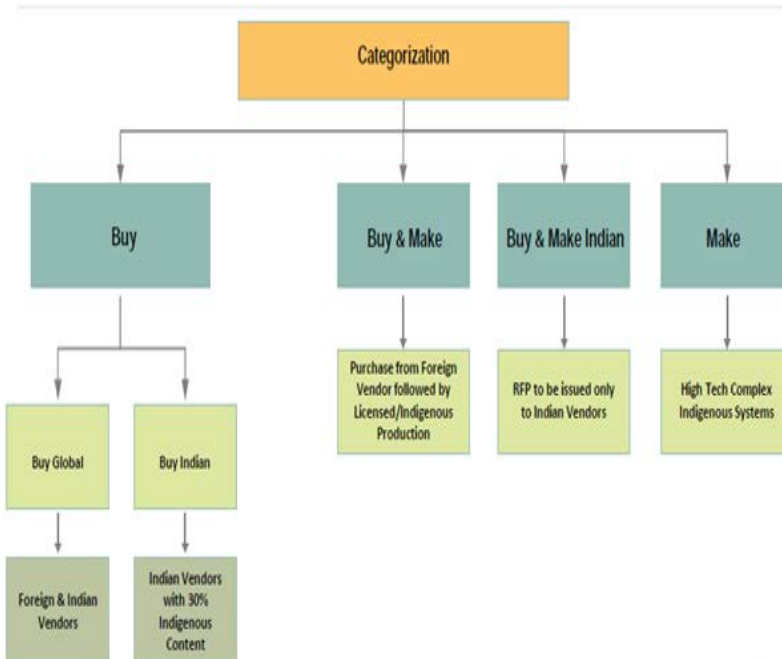
indigenous manufacturing of defense equipment. Defense Procurement Procedure (DPP) has been amended in 2016 to provide for the following (Make in India, 2017):

- 1) The new category of capital procurement - Buy Indian —IDDM (Indigenously Designed, Developed and Manufactured) introduced to encourage indigenous design, development, and manufacturing of defense equipment.
- 2) Preference to 'Buy (Indian-IDDM),' 'Buy (Indian)' and 'Buy and Make (Indian)' over 'Buy (Global)' categories of capital acquisition.
- 3) A clear and unambiguous definition of indigenous content.
- 4) Provision for Maintenance TOT (Transfer of Technology) to Indian Industry partners.
- 5) Provisions to allow foreign OEM (Original Equipment Manufacturer) to select Indian Production agency.
- 6) The requirement of minimum indigenous content has been enhanced/ rationalized.
- 7) 'Services' as an avenue for discharging offsets have been re-introduced.
  - a) Defense products list for industrial licensing was articulate in June 2014, wherein large numbers of parts/components, castings/ forgings and so on. Have been excluded from the purview of industrial licensing.
  - b) The defense security manual for the private sector defense manufacturing units has been finalized and put in public domain by the Department of Defense Production. The manual clarifies the security architecture required to be put in place by

the industry while undertaking sensitive defense equipment.

- c) The MAKE procedure, which aims to promote research & development in the industry with support from the government and the placement of orders, has been promulgated with provision for 90% funding by Government and preference to MSMEs in particular category of projects.

**Diagram 2. New Procurement Policy to Boost India's Self-Reliance in Arms**



Source: Virginia Economic Development Partnership- International Trade. [www.exportvirginia.com](http://www.exportvirginia.com)

Historically, the pattern of arms imports in South Asia is influenced mostly by the everlasting rivalry between India and Pakistan. In the list below, both states were stood in the top ten of arms importers in 2013–17. India was the biggest importer of major arms in 2013–17 and calculated for 12 percent of the whole, globally. The imports quantity raised by 24 percent between 2008–12 and 2013–17. Russia calculated as 62 percent of India's arms imports in 2013–17, and the total amount of Russian arms exports to India at that moment was almost similar as in 2008–12. India is trying to find to enlarge the variations in the supplier of its arms imports. In 2008–12 and 2013–17 arms imports from the USA increased by 557 percent, establishing the US position as a second largest arms supplier for India. This expanding is the piece of the flourishing strategic partnership between the two countries in which the USA has started to provide India with sophisticated military armaments. The provided of arms in 2013-17 from the US for instance patrol aircraft, strategic transport aircraft, and combat helicopters. The other big arms supplier for India is Israel, living up as accounted by 285 percent between 2008–12 and 2013–17, and made them as the third largest exporter to India (SIPRI, 2018: 8).

**Table 3. The Main Exporter and Importer of Major Weapons, 2013-2017**

<b>THE MAIN EXPORTER AND IMPORTER OF MAJOR WEAPONS, 2013-2017</b>					
<b>No</b>	<b>Exporter</b>	<b>Global Share</b>	<b>No</b>	<b>Importer</b>	<b>Global Share</b>
1.	USA	34	1.	India	12
2.	Russia	22	2.	Saudi Arabia	10
3.	France	6.7	3.	Egypt	4.5
4.	Germany	5.8	4.	UAE	4.4
5.	China	5.7	5.	China	4.0
6.	UK	4.8	6.	Australia	3.8
7.	Spain	2.9	7.	Algeria	3.7
8.	Israel	2.9	8.	Iraq	3.4
9.	Italy	2.5	9.	Pakistan	2.8
10.	Netherlands	2.1	10.	Indonesia	2.8

Source: SIPRI Factsheet, Trends in International Arms Transfer 2017

The Staff in Ministry of Defence, Subhash Bhamre currently announced in Parliament, in the previous three financial years from 2015-17, they already have 90 contracts in agreement with a value of INR 83,344.31 crore (around US\$ 58 million) with Indian vendors and also agreed on 51 contracts involving a value of INR 1,16,667.34 crore (around US\$ 82 million) with foreign vendors for capital procurement of Defense equipment. It means that the Defense Procurement Procedure 2016 shows serious efforts to bolster indigenization



and independence in the field of defense by utilizing and maximizing the capabilities of both the public and private sector (Bhat, 2017: 1).

Defense Research and Development Organisation (DRDO), a Research and Development (R&D) faction of Ministry of Defense, is mainly embroiled in some jobs. They are design and development of strategic, complex and security sensitive systems in the sectors of armaments, missiles, unmanned aerial vehicles, radars, electronic warfare systems, sonars, combat vehicles, combat aircraft, sensors, and so on, for the Armed Forces as per their particular QR (Qualitative Requirement). Some successful induction of the substantial indigenously designed and advanced weapon platforms into the Corps such as advanced light helicopters, light combat aircraft, Akash missile systems, multi-barrel rocket system – Pinaka, Arjun tanks, Sonars. The DRDO dealt with some projects that categorized as the new special innovation projects in the period of previous three years from 2015- 2017 which are (Bhat, 2017: 1-2):

1. Pralay Missile
2. Rudra M-II Air to Surface Missile
3. Supersonic Missile Assisted Release of Torpedo (SMART)
4. Ku-band Active Radar Seeker
5. Stealth Wing Flying Testbed (SWiFT)
6. AESA Based Integrated Sensor Suite (ABISS)
7. EM Gun Powered by a Capacitor Bank
8. Multi-Agent Robotics System (MARS)
9. Ku-band TWTA for Aerospace Application
10. Submarine Periscope
11. Air Independent Propulsion System for Submarine
12. Airborne Early Warning and Control System (AWACS), Radar USHAS

Despite with that so many positive efforts of defense cooperation between India and the US, the current Indian Defense Minister, Nirmala Sitharaman stated that India is in the proposing way to buy five Russian-made S-400 Triumph advanced air defense systems. One of the obstacles for the deal is due to the US sanctions to Moscow when the agreement is set up to be ready in the near time for agreeing the \$5.5 billion military contract for the Triumph interceptor-ased missile system. For India, the added of Russia's missile system is hopefully can work as a definite 'game changer' to increase the ability of India to counter ballistic missiles and stealth aircraft in which China is also cultivating (IANS, 2018). Before that India and Russia also have the FPGC Project served as an inter-governmental pact in 2007. Later on, India had officially paid \$ 295 million (Rs 1,897 crore) for ordering the preliminary design of the fighter, which India considered as 'Perspective Multi-role Fighter.' The project has several problems in the continuing years that have been in negotiations and talks to find the solutions.

The US has willingly free to show attention regarding the S-400 missile system being proposed by any of American counterparts, including India. The US Congressmen from Republican Party, Mac Thornberry, the Head of the House Armed Services gave responses when he was in India in May 2018. He stated if New Delhi and Moscow eventually agreed on the buying of the missile system, it would create difficulties on the ability to implement 'inter-operability' between both Countries. When at the same time the US had issued sanctions against Russia, Iran, North Korea, and the related corporations indeed that US had sanctioned Russia for suspected in mingling the 2016 US Presidential Election through the so-called Countering America's Adversaries through Sanctions Act (CAATSA). However, for Nirmala when replying to question whether the sanction would impact India's military purchases, she said that it is not the issue for India due to its status as not the UN Law (IANS, 2018). But finally, India and

Russia came into agreement that both Countries are formally have signed \$5,2 billion worth deal for S-400 System on October 2018.

Going back to DPP, In June 2017, the Government gave positive responses towards the deep-rooted issues related to procurement of defense equipment and evolved the “Strategic Partnership Model” based on the recommendations of the 2015 report written by the Dhirendra Singh Committee. Using this model, a few private sector companies would be appointed as systems integrators based on their proven capability, and they would join with foreign Original Equipment Manufacturers (OEMs) with the purpose of establishing a solid defense industrial foundation. The companies would create long-term investments to expand a base for R&D and production facilities. Initially, four segments picked up, fighter aircraft, helicopters, submarines, and armored fighting vehicles. Some of the points of critics are (Bhardwaj, 2018: 3-4):

1. Lack of institutional capacity and capability to take it to its logical conclusion.
2. As indicated earlier the “Make” procedure for Infantry Combat Vehicle (ICV) unsuccessful to get the results with just four companies competing for one weapon system. Here all three services are involved with so many weapon systems and the opportunities.
3. The decision making agencies need more significant autonomy and authority. There is a crucial need of a fixed arbitration committee which can solve problems responsively. In the US, the procurement agency called the Defense Advanced Research Projects Agency (DARPA) has a fixed arbitration committee which resolves such problems comprehensively and gave a final decision.
4. There is a protracted worried that the Indian strategic counterparts having induced their funds to

infrastructure and getting the initial order would lose out to the DPSUs in the long run. These would be evil thoughts of the whole good purposed plan.

The Navy has achieved progress and the bright path on indigenization mainly due to their in-house design capability by the Naval Design Bureau. Therefore, they are not dependent on the DRDO for the design & development of the complete ship but outsource the subsystems for them to develop. Additionally, the serving naval officer inevitably worked as the chairman for the battle shipyards manufacturing, in consequences, the navy possesses full control over all activities. Compare to the condition of the Army and Air Force which are still dependent on the DRDO and DPSUs/OFB. The Army did an initiative step in 2016 and built the Army Design Bureau as the nodal agency which serves as a storage of technical knowledge and procedures and help in forming operational assessment and General Staff Quality Requirement (GSQR) as also a connection between the Army and the private sector (Bhardwaj, 2018: 4).