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INDIAN DEFENSE PROCUREMENTS:

ADVANTAGE RUSSIA OR USA?

By

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Biography

Group Captain Vivek Gupta is assigned to the Air War College, Air University, Maxwell AFB, AL. He was commissioned in the fighter stream of the Indian Air Force on 18 June 1994. He is a graduate of National Defence Academy and Defence Services Staff College, where he was rewarded the Lentaigne medal for best dissertation. Gp Capt V Gupta has flown the Kiran, MiG 21 T77, MiG 21 T96, MiG 27 ML and MiG 27 UPG, accumulating 3,000 flight hours. He is an experienced Cat 'A' Qualified Flying Instructor. He has served in a variety of field and HQ assignments. Prior to attending Air War College, he commanded No. 10 Squadron at Jodhpur, Rajasthan.



Abstract

In the 21st century, India has emerged as the biggest importer of defense equipment in the international market. The US, on the other hand, is the undisputed ruler, and pure logic would entail that it should be the one enjoying a lion's share of the Indian market. However, India's strong strategic ties with Russia and the legacy of Russian equipment gives an impression that India would invariably favor Russian defense contracts. Instead, this paper argues that India has diversified its defense procurement policy in keeping abreast with the global realities; its standing in the world order, and its security concerns. This research paper uses a qualitative approach to argue that the competition for Indian defense contract is wide open, and the Russian advantage in Indian defense market is just a myth. The author synthesizes the problem by contextualizing the reasons for the India's inclination towards Russia for defense procurements post-Independence. The paper tracks the evolution of Defense Procurement Procedure through the years and highlights key provisions of the latest policies in vogue. The paper then analyzes three major recent defense deals for presence of any biases and adherence to the published policies in award of the contracts. The author then points out the impediments to closer Indo-US defense ties. The paper then proposes a set of recommendations as a way forward for better Indo-US ties. The US needs to treat India as a responsible partner and avoid seeing furthering Pakistan's interests at India's behest. Similarly, the two countries need to evolve a mechanism to detangle politics and defense cooperation in their bilateral ties. Long term security cooperation could further the US national interests especially in Asia, against China. Understanding the Indian tradition of doing business could help the US. The bottom line is; the country that alleviates India's security concerns by engaging as a friendly partner investing in India's defense sector and has patience is likely to bag a large chunk of Indian defense expenditure.

“India and the US are not just natural partners. I believe American can be India’s best partner.”¹

- Barak Obama, US President

Introduction

While the Indian armed forces are one of the largest in the world, they are arguably not the most technologically advanced. Since independence geopolitical and economic factors shaped India’s military growth and by the end of Cold War India found itself operating more than 70% of the Soviet legacy equipment. The fall of the Soviet Union was a great setback for Indian military as it found it extremely difficult to maintain the near obsolescent Russian equipment or to upgrade it. The spread of globalization after the Cold War saw the rise of Asian economies, prompting critics to label the 21st century as the ‘Asian Century’.² Indian economic turnaround was dwarfed only by China’s prodigious economic rise. In consonance with Michael Beckley’s theory, China’s military power and effectiveness increased in the same proportion.³ The tilt of military balance in China’s favor fueled India’s sovereignty fears and acted as a catalyst for the much-required modernization of the Indian military. However, India did not mimic China and capped its defense budget to a meager 2.5% of its GDP over the years.

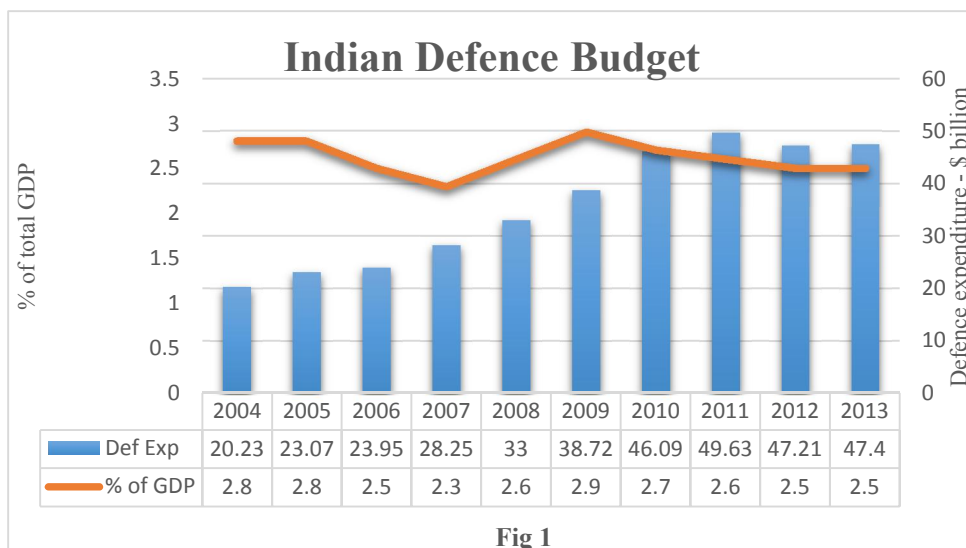


Fig 1

However, robust GDP growth has given a double-digit increase in the defense expenditure, Fig 1.⁴ India is poised to spend \$250 billion over the next decade on defense and thus be the largest importer of arms globally in the foreseeable future.⁵

The US, an undisputed ruler of the defense export market in the past decade, should logically have a lion's share of the Indian market. However, Russia is still touted as the largest arms exporter to India. The cost advantage of procuring a Russian equipment and the legacy of Russian systems, making it faster to own and operationalize than any equipment from other countries, has defense analysts in the US skeptical of achieving success in the Indian market. Added to this is the Indo-US love-hate relationship vs. the Indo-Russian bonhomie. Instead, this paper argues that India has diversified its defense procurement policy in keeping abreast with the global realities; its standing in the world order, and its security concerns. Today the competition for Indian defense contract is wide open, and the Russian advantage in Indian defense market is just a myth. The US has to act now and play its cards well in the competitive scenario, or else it might loose to Israel, France, and even Russia.

Thesis

This research paper uses a qualitative approach to argue that India has a contemporary defense procurement procedure favoring no single player. The country that alleviates India's security concerns by investing in Indian defense sector as a friendly partner and has the patience to deal with India's bureaucracy is likely to bag a large chunk of Indian defense expenditure.

India's Defense Procurement - Background

The Nehruvian Era

Independent India's early years were influenced by Jawaharlal Nehru, India's first prime minister, and his dreams of a modern India.⁶ The budget had inherited a revenue deficit of \$78.5

Million, mainly due to India's forced contribution to the British effort in both the World Wars and the forced defense expansion in the interim period.⁷ Nehru's India inherited a meager defense structure and depended heavily on the British for its equipment while Canada and the US supplied only a handful vehicles.⁸ India had a limited shipbuilding capability, virtually no aircraft industry, and rudimentary ordnance manufacturing units. Given India's predicament, Nehru had to choose between India's defense preparedness and his dream of modern, vibrant and industrialized India. He chose the latter due to his conviction that a free India was secure against external attack either by its geostrategic position, its size or the balance of power.⁹ The pursuance of a non-aligned foreign policy was Nehru's tactic of using the goodwill of both super powers in India's progress.¹⁰

Nehru held to his anti-militarism despite the conflict that followed independence and obligated the Indian government to abide by the Blackett report.¹¹ There were no new acquisitions, and surplus capacity of existing ordnance factories got diverted to producing coffee percolators and sewing machines.¹² Even China's occupation of Tibet in 1950s did not compel Nehru to boost defense preparedness. To quell the military leaders' fears and avoid deviation from his dream of broad-based economic development, Nehru signed a treaty of Panchsheel with China.¹³ On 20 Oct 1962, Nehru was jolted into reality when the Chinese forces easily overran an ill-equipped and unprepared Indian army. China's declaration of a unilateral ceasefire was as sudden as its attack but not before penetrating deep into Indian Territory.

The Russian Angle

In this hour of need, Nehru turned to his western beneficiaries, namely the US and Britain, for immediate help. He knew that the US viewed India as pivotal in the struggle between East and West.¹⁴ However, the Kashmir problem was a major hurdle in the success of the US

South Asian policy due to its dilemma to favor India or Pakistan, its principal ally in the region.¹⁵ US military aid, especially the supply of F-104 aircraft in 1961 and the US support to Pakistan in the UN had forced India to gravitate towards the Russians. Realizing the golden opportunity, John F. Kennedy tried to woo India through economic aid. The US effort, as per Paul McGarr, to contain Asian communism was centered not in South Vietnam but, in India during this period.¹⁶ However, with the demise of Nehru in 1964 and the Indo-Pak war in 1965, all the US effort was lost in vain. After the UN Security Council called for an immediate cease-fire, both the US and Britain instituted a ban on arms supplies to both the belligerents.¹⁷ However, it was USSR who came out on top by acting as a mediator between the two warring nations and ending the war through the 'Tashkent Declaration'.

After three wars in just two decades, Indian leaders realized that peace was not possible in their backyard without the backing of the major powers. However, the traditional western friends, Britain, and the US were not interested to back India. Therefore, to safeguard its sovereignty and enhance military capacity the only option India had was to befriend the USSR. However, it was pure economics that finally tilted the balance in favor of the USSR. Firstly, India's quest of self-reliance was to be realized with the MiG-21 deal, where Soviets promised transfer of technology and help to build its nascent aircraft industry. Secondly, by 1960s Indian economy was in its worst crisis post-independence and India could ill afford costly western equipment in hard currency. Thirdly, Soviets allowed India to modernize and expand the armed forces by selling tanks, ships, aircraft, and other equipment at an extremely favorable terms. Instead of US dollars, trade was done in local currencies (Ruble and Rupees). Russia had extended a State credit of rubles payable in rupees with a grace period of seven years before payments began and a total repayment period of 17 years.¹⁸ The Soviets charged only a meager

2.5% rate of interest. Fourthly, the repayment of principal and payment of interest was made in non-convertible rupees that were then utilized by the Soviet authorities for importing Indian goods.¹⁹ The circle thus created helped boost the flagging Indian economy and the adage of “MiGs for food” could aptly describe the Indian defense procurement.

Even with such dependence, India was not a de-facto Warsaw Pact member, India remained steadfast on its non-aligned policy and Indo-Russia trade was purely necessity based. Affinity to western equipment saw India making big ticket purchases even during the Cold War era as British Jaguar and Sea Harrier aircraft, Mirage 2000 aircraft from France and the Bofors 155mm Howitzer from the Swedes were all acquired during this period. These aberrations happened due to India’s surplus finances, other country’s willingness to offer the latest technology and the drive for maintaining a technological edge over Pakistan. The US during this period seemed to have relegated India in its priority and hence did not engage in any significant arms trade.

Globalization

By 1991, Indian economy once again ran aground and this time the USSR was not available to save the day. The Narasimha Rao government was forced by the World Bank and the International Monetary Fund to institute far-reaching economic reforms to make India attractive to foreign investments; ushering globalization.²⁰ The gamble worked, and the Indian economy boomed. With the new found economic success came the long sought after recognition of India’s status in the new world order, post-cold war. However, collapse of the USSR adversely affected Indian military as a majority of its equipment was of Russian origin. India faced an acute shortage of spares and parts as the erstwhile Soviet factories now belonged to different countries like Russia, Ukraine, and coordinating with all the countries for components

was a nightmare. Bitter bureaucratic experience, unreliability of new players, and the US dollar replacing local currency for trade with Russia made India look for other options in its quest for a strong military. Another aspect that needs mention at this juncture is the phenomenal rise of China during the same period. Given India's stressed relations with China, it became necessary for India to spruce up its defense. Lack of Indian defense industry, its massive modernization plans, and armed with deep pockets made many western countries make a beeline for India. However, Israel was the biggest beneficiary of India's military modernization, both financially and politically.

India's story turned another chapter with it going nuclear in 1998. India was accepted as a peaceful nuclear state by the international community after an initial adverse reaction. However, the defining moment of India's acceptance as a responsible state in the world order, opening the doors for Indian defense, was India's exemplary handling of the Pakistani 'Kargil' misadventure. Unexpected support for India in the form of President Clinton's actions during this testing time helped thaw US-India relations after several decades.²¹ Thus, opening the opportunity for better defense ties and trade between the two countries.

India's Defense Procurement - Present

Initially, India's defense procurement was sporadic, subjective, and secretive due to the focus on industrial development, inadequate finances, inability to access western equipment, and a nonexistent indigenous defense industry. In fact before 1985, almost all defense deals were carried out with the erstwhile Soviet Union on a 'government to government' basis.²² Third party agents thrived in the shadows cast by nontransparent defense expenditure, and only they brokered deals outside the Soviet umbrella albeit with massive kickbacks. However, in March 1986, a \$1.4 billion contract between the Indian government and Swedish arms company AB

Bofors for the supply of 400x155mm howitzers became India's Watergate.²³ The public outcry against the alleged kickbacks resulted in a historic loss for the ruling Congress party in 1989 general elections. As a result, the Public Accounts Committee (PAC), Lok Sabha 1989, in its report recommended that the Indian government draw up comprehensive guidelines with regards to negotiations and implementation of defense contracts.²⁴

The Ministry of Defence (MOD), in February 1992, for the first time issued guidelines for all procurements involving an outlay of ₹10 million or more.²⁵ These guidelines were commonly called the Defense Procurement Procedure (DPP) 1992. The DPP tried to bring in objectivity in the procurement process while confirming to transparency, probity, and public accountability as required by PAC. However, it took the MOD about a decade to fructify the proposed DPP since it involved overhauling the existing defense procurement structures. However, by 2001 the changing global environment necessitated a review of DPP 1992. Accordingly, the MOD published a revised DPP in December 2002. Since then, the scope of these procedures has been revised and enlarged through periodical reviews resulting in the promulgation of the DPP 2003, 2005, 2006, 2008, 2011, and 2013.²⁶ The major focus of the latest DPP is to balance the urgent requirements of the military, developing a robust indigenous defense sector and conforming to the highest standards of transparency, probity, and public accountability. The aim being to promote indigenisation and create a level playing field between the Private and Public Sector. So what are the major highlights of DPP 2013?

First, the procurement categories have been prioritized in the following order, Buy (Indian), Buy & Make (Indian), Make (Indian), Buy & Make, Buy (Global).²⁷ A justification would be necessary to not consider a higher category, thus giving a stronger impetus to indigenization. Second, the stipulations for prescribed indigenous content, 30%, are now

clarified and stringently defined. Thus, emphasizing meaningful indigenization. Third, the process for Buy and Make (Indian) is now further simplified. Fourth, the validity of 'Acceptance of Necessity' (AoN) has been reduced to one year with a stipulation to freeze the Service Qualitative Requirements (SQRs) before the accord of the AoN.²⁸ Reducing the validity period will expedite the whole process. Fifth, there is an enhancement of the financial powers of the Service Headquarters and the Defense Procurement Board. Apart from the salient features enumerated above, a number of other procedural changes have been made with the aim of bringing clarity and efficiency in the procurement procedures.

India's Indigenization Program

India is supposed to have a comprehensive arms industry boasting of major programs like the Integrated Guided Missile Development Program (IGMDP), Tejas Light Combat Aircraft (LCA), Arjun Main Battle Tank (MBT), Akash Surface to Air Missile (SAM), etc.²⁹ However, most of these programs are plagued by lengthy delays, cost overruns, and are eventually dependent on external suppliers for critical components. Therefore, the indigenous arms industry is unable to secure some of the fundamental requirements of the Indian armed forces.³⁰ The increase in Foreign Direct Investment (FDI) cap to 49% in Oct 2014, higher if explicitly cleared, are ways the Indian government is trying to achieve self-reliance in its defense sector³¹. Foreign arms players can now have a 'fast pass' access to Indian arms procurement through this route with a caveat of investing in the Indian defense industry.

Joint Development

In recent years, Indian government has found another way of addressing India's defense indigenisation concerns, Joint development, and production. India's successful economic story amid the global slowdown has made big companies interested in Indian Joint Ventures (JV). The

consortium thus developed has the technological edge brought in by the foreign company, and deep financial pockets pitched in by India. India has thus leapfrogged in critical defense technology and as a bonus the spinoffs have spurred the civil sector. The 'Bhramos' JV in 1998 between India, 50.5% stake, and Russian company, 49.5% stake, has been a success story. Riding on this success, India and Russia inked a deal for co-development of Fifth Generation Fighter Aircraft (FGFA) in 2010, with an equal stake (\$ 6 billion) in the program. Unfortunately, Western defense companies, especially the US, have not tapped this potential as yet.

Defense Procurement - Case Studies

Indian Aircraft Carrier - INS Vikramaditya

In 1998, India started a search for an aircraft carrier to replace the lone and aging INS Viraat. However, there was not much of choice available for the Indian Navy in this regard. The US, France, and Italy were building ships too big for India's checkbook.³² Only Russia could offer what India was looking for, in Admiral Gorshkov. After numerous rounds of track II diplomacy, India signed a deal for \$974 million (the ship was itself free only the refit cost was to be borne by India) with a delivery date of 2008.³³ In return, India bought 16xMiG-29K naval fighter aircraft for \$526 million. However, India soon realized its mistake. Delays and cost overruns have marred the program and resulted in tension in Indo-Russian relations. India, on the verge of pulling the plug, finally commissioned INS Vikramaditya after a delay of five years and a whopping cost of \$2.2 billion.³⁴ India during this period had learned a hard lesson, "Whatever You Do, Don't Buy Your Aircraft Carrier from Russia."³⁵

India's Medium Multi-Role Combat Aircraft (MMRCA)

In August 2007, India floated a Request for Proposal (RFP) for procurement of 126 MMRCA. The RFP signaled India's maturing procurement process. However, IAF's insistence

on the latest technology, the government's need to avoid any controversy and a bitter lesson learned with Russia also influenced the decision. The proposal was sent to all six aircraft vendors (MiG 35, JAS 39 Gripen, Rafale, F-16 Falcon, F/A 18 Super Hornet, Eurofighter Typhoon), other than China with a proposed cost of \$10.5 billion.³⁶ After a series of rigorous ground and flight evaluations by the IAF only two vendors qualified. The subsequent process of evaluation of commercial bid declared the French Rafale as a winner of the bid. In a first, this RFP was to award the contract on the basis of full life cycle cost (40 years). Transfer of Technology (108 aircraft are to be manufactured by Hindustan Aeronautics Limited) is a prerequisite for awarding the contract. The contract will necessitate Dassault to re-invest \$5 billion into Indian industry during the supply period.³⁷ Even though, Rafale was declared as a winner in 2011 (for \$12 billion); the contract is far from being signed. Rumors are that India is looking for broader strategic interests and industrial benefits, rather than techno-commercial parameters alone. Whatever the outcome, one thing is clear that India has moved on from its Russian allure and is comfortable to engage in new long-term partnerships.

Indian Heavy Lift Aircraft - C-17 Globemaster III

In 2011, India inked a \$4.1 billion contract with Boeing Co. for 10xC-17 Globemaster III bypassing the DPP. A second straight contract to a US company, after approx. \$1 billion contract to Lockheed Martin for six C-130 J. China's growing infrastructure along the Line of Actual Control (LAC) could be one of the reason for fast tracking direct sales.³⁸ However, appeasement of the US after its loss in MMRCA deal and accruing greater strategic benefits from the US could be the major influencing factors in this decision. Warming up to the US against Russia's liking shows the importance India places on this relationship. Another reason for such procurements could be India's realization of the might of its purse and its rights as a consumer.

India's new mantra seems to be 'Shop the best, at the best bargain, and with the best after sales service', and is akin to the way anyone would buy a new car.

Impediments to Indo-US Defense Relations

To establish a firm foothold in India's defense market, arguably the biggest for the foreseeable future, the US needs to understand what impedes its in-depth access. The major issues acting as retarders in the Indo-US relations are as follows.

There is a common perception that US lacks commitment in its relationship with India. The seeds of this mistrust were sowed during the Indo-Pak war 1965, when the US sided with Pakistan, arousing strong anti-US sentiments and later the US support to Pakistan in the 1971 war.³⁹ The US interference in India's 'Kashmir' issue and their hesitancy to support India in international forums against Pakistan-sponsored terrorism has only deepened the crevasse. India feels that the US policy of 'with us or against us', in securing its national interests, challenges India's right of non-alignment. However, the real reason for India's apprehension seems to be the US history of punitive sanctions against some partners. A few decades ago, the US sold its most advanced fighter of the time, F14, to Iran under the Shah. A regime change in Iran led to crippling US sanctions that made the Iranian F-14 fleet ineffective in combat.⁴⁰

India's shopping frenzy in a drive to modernize its military has received a cold shoulder response from the US. The US seems to treat India as a tertiary market by offering equipment nearing its technological obsolescence. The Hawk XXI missile and the F-16IN aircraft offer represents a major effort to bring an obsolete weapon system to relevance in modern battle by stretching old technology through the application of fixes to make it relevant.⁴¹ Another gray area between the two countries is Transfer of Technology (ToT). The US has traditionally been hesitant in ToT while it is almost a prerequisite in India's future inductions. This US quagmire

has riddled the 'Javelin' anti-tank missile procurement.⁴² The US hesitancy is not understood by India as it has no global aspirations and its insistence for ToT is a means to achieve self-reliance in defense. Lastly, the US readiness to supply Pakistan with same or comparable military equipment has irked Indian politicians since the Nehruvian era.⁴³

The biggest hurdle for the US in doing business with India is the bureaucratic red-tapism. Having the 85th position (out of 175) in the Corruption Perception Index -2014 does not bolster India's image for doing business.⁴⁴ Even though Mr. Narendra Modi, present prime minister, has declared "No red tape, only red carpet, is my policy towards investors",⁴⁵ it is going to be a slow process. Another factor that frustrates the US is the inherent time-consuming procurement process, which could prove disastrous in the volatile politico-economic world scenario, as well as the increasingly volatility of the South Asian region.

The Way Ahead for the US

Primacy of the US national security interests should always be the driving factor in any US involvement with India. However, having said that, there are many 'lines of operation' US can operate on to engage India to further its national interests, strategically and economically.

India seems a right choice in the Asian region to advance the US interests against China, the only threat to US hegemony. Therefore, the US needs to nurture a long term responsive relationship with India. By delinking India and Pakistan on any and all bilateral issues, the US could address India's apprehension about Pakistan's prominence to the US, laying the ground for a healthy relationship. Post-9/11, the US has tried to revisit US-Pak relations, but ties with Pakistan are too intertwined and important at this moment to permit the sort of delinking that India seeks. President Obama's initiatives to engage India since 2008 have borne fruit with India reciprocating in kind through a flurry of defense contracts, amounting more than \$8 billion.

Delinking defense procurements from political alignment would be a significant step in forging lasting security ties. Unlike the US, India is comfortable in supporting a particular country on one issue while vehemently opposing the same country on another matter and yet continue with defense procurement of essential items. India accepted Israel as a nation in 1950, but also stood behind Palestine at the UN. There were closed-door security ties even before India opened full diplomatic relations with Israel in 1992.⁴⁶ Thus, India has shown its ability to disentangle politics and national security. The same cannot be said for the US, as the unique relationship between the President and the Congress in policy matters makes it extremely difficult. However, the US and India can jointly evolve a mechanism to undertake supply of critical spares during any unforeseen political crisis.

As stated earlier, JVs offer a 'fast pass' access to the Indian defense deals but the US is averse to such concept. However, in the recent years sequestration has threatened many ambitious defense projects. India's unblemished record of strict adherence to laid down rules, no country has ever accused India of violating or misusing ToT terms, could make it a logical partner in particular defense programs. India paying Russia to supply arms to Afghanistan rather than sell the same should instill confidence in the US.⁴⁷ The first such JV could be the USAF F-35 program. Inclusion of India could give a fillip to the program marred by delays and uncertainties and be a welcome respite for IAF, especially when its FGFA program seems to be in trouble.⁴⁸ 'Mars Orbiter Mission' that cost 1/10th of the cost of NASA's 'Maven Mars Mission' has displayed India's prowess to achieve cost-effectiveness in high-end technology.⁴⁹ Therefore, co-development with India could allow the US to reduce development costs, tap additional technological expertise, and infuse capital to fast track new programs.

The US should take advantage of India's new mantra 'Make in India' and the new government's eagerness to attract FDI in the defense sector by laying a red carpet. Mr. Modi has shown his willingness to bypass all established procedures by inviting Japan to build six submarines in India at an estimated cost of \$ 8.4 billion. To entice Japan Indian officials are also negotiating to acquire Japanese US-2i 'ShinMaywa' amphibious aircraft for the Indian Navy.⁵⁰ The US should exploit this backdoor route to Indian defense deals. Reduced red-tapism, preferential access to new defense deals, boosting the flagging US economy, and fostering a favorable public opinion are some of the immediate benefits accruing from this approach. The US companies are already outsourcing certain non-critical and minor components to Indian subsidiaries. India's cheap skilled labor and manufacturing costs will help pull down the overall cost the equipment, a win-win situation for the US, India, and the global defense market. Boeing Defense Space & Security (BDS) seems to have broken this code. It is enjoying the spoils with the straight contracts of P-81 and C-17 aircraft and further assurances for Chinook CH-47F and Apache AH-64 helicopter contracts.

The US should leverage the newfound bonhomie between the premiers of both the countries. The recent visit of President Obama saw Mr. Modi breaking the protocol to greet him with a bear hug on his arrival at New Delhi.⁵¹ Mr. Modi's historic win in the general elections 2014 gives him the control of the Parliament, last seen in 1984.⁵² Such a strong mandate puts much pressure on Modi to deliver. The US could not have asked for more and Obama can press this advantage in the last leg of his political career to eradicating some irritants plaguing the relations. The 'breakthrough understanding' achieved by the two countries in Nuclear and Climate change issues during Obama's recent visit to India is a testimony of this. This friendship

has made China uncomfortable indicating India's importance to the US balance in Asia, against China.

Indian leaders have learned a bitter lesson of depending on any one country for their sovereignty in the 1960s. With an unfledged defense industry forcing India to depend on imported arms, India aims not to put all its eggs in one basket. This multi-state dependency could ensure uninterrupted supply of certain spares in any unforeseen crisis. In consonance with this belief, India regularly gives out defense contracts to different countries. India has demonstrated the use of contracts to keep countries engaged in furtherance of its strategic goals. The US needs to reconcile to the fact that even with very close ties, India could woo Russia, Israel, France or another player occasionally. However, the silver lining for the US is that India has historically reserved lion's share of its pie for the long term strategic partner.

Another cultural tidbit that the US should exploit is the Indians' famed hospitality. The age old Sanskrit adage of '*Athiti Devo Bhavah*' (The guest is equivalent to God) forms the primary fiber of the Indian culture. None of the state heads visiting India have ever returned empty handed. The hurried visit by the Russian president, Putin, in Dec 2014 yielded in \$ 100 billion worth of deals.⁵³ This adrenaline shot for the failing Russian economy against the wishes of the US could be the Indian gift for a needy partner. Obama's visit achieved more for the US although in the civil nuclear deal, with India relaxing the manufacturer liability clause.⁵⁴ Even the defense got some boost with the 'Raven' RPA deal during the same visit.

The US stands to benefit from engaging with India regularly especially in defense cooperation. Giving India its due as a responsible partner in the dealings would help cement a strategic relationship. The USAF could take the lead with its well-established organization, SAF/IA. SAF/IA's vision is to maintain and build cooperation, capability, and capacity with

international partners. However, SAF/IA has focused on partner capacity and capability building. With India, the approach should focus on cooperation especially increasing the interaction between forces. Such grass root level approach would pay more dividends, in the long run.

Conclusion

The global scenario has seen a gradual shift in the defense spending with the European countries cutting their defense budgets drastically. The reasons for this change could be the end of the cold war, the safety conferred by NATO, the global meltdown to name a few. At the same time, the emergence of Asian economies has seen India emerge as the biggest importer of defense equipment in the last few years. The trend is likely to continue in the near future, with India slated to spend more than \$250 billion in the next decade on defense.⁵⁵ Today's sequestration era makes it more important for the US and Europe to have an arms sales relationship with India. But, India's long-term close ties with Russia and its legacy equipment (70%) would make any rational conclusion biased towards Russian monopoly. However, as argued in this paper, this is just a myth. India has matured as an open economy with contemporary defense procurement procedure. India has gradually distanced itself from Russia, against the wishes of many Indian defense analysts.⁵⁶ The result of this is the close relations developing between Pakistan and Russia. Thus, forcing India into a gullible position for forming long-term security partnerships with other players.⁵⁷ The US tactics of putting the right foot into the small opening before the window of opportunity closes seem to have worked. The US has, over the last couple of years, become the largest defense exporter to India with a total sale of \$8 billion and more in the pipeline. However, these contracts represent the tip of the iceberg and the US needs to play its cards right if it does not want to loose out to Israel, France, and Russia.

Close ties with India could help bolster the US interests its global war on terror and against China; helping to relieve some pressure off the proverbial US South East Asia 'Pivot'.



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