

By Deba Mohanty

The post-mortem has begun on the recent visit of US President Barak Obama to India. Preliminary autopsies suggest a heavy leaning towards optimism and even braggart assertions about the bilateral relations. A fairly balanced assessment, however, will come much later once promises and pronouncements are actually tested on the ground. Obama and his team have emphasised 'shared values, shared benefits and shared vision' between the two great countries. While shared values and visions do exist at the core of two democracies, with varying degree and often complementary, it is worth examining the 'shared benefits', which would put things in larger realistic perspectives.

Shared benefits in this context include expansion and consolidation of trade in civil and military domains, among others. While civil trade is mostly done between companies from both sides with minimal state supervision and intervention, it is the defence trade that is more complex, state-centric and often a casualty of legal procedural complexities as well as strategic considerations. Government approval is necessary even in the most insignificant military item transaction, although bulk of military manufacturing has gone into private hands in most countries.

Prior to Obama's visit, prognostic analyses in India suggested three broad assumptions—rise in American military equipment sales to India, growing company to company collaborations and gradual easing of regulations—apart from India's 'soft power' rise, possible entry into the high table in international affairs and a counter-balancer in Asian geopolitics. It must be mentioned here that the Indian soft power—cultural, historical, ideological and economic—has already been deeply embedded in its larger strategic framework, while a seat in the UNSC will not be easy, whereby US stamp of approval would only be symbolic at best. Counter-balancing act or 'strategic stabiliser' role in geopolitics needs more 'hard power' attributes than 'soft power'. In sum, symbolism seems to have overtaken 'hard business and strategic decisions', especially in the fields of defence trade, between the two countries.

All the three broad assumptions on defence trade are most likely to happen. If one looks at India's arms shopping list, it includes sale of C-130Js, Harpoons, P-8Is, C-17s, GE-414 aero-engines, etc. A reasonable assumption would suggest follow-on orders in most of these equipment and a possible \$30 billion plus sale could be in the pipeline for the next five years (excluding \$10 billion worth sale already approved). Collaborations with American firms will also increase as companies like Tatas start churning out components of military systems in collaboration with Sikorsky or state-owned HAL in collaboration with GE locally produces the aero-engine required for the LCA programme. Removal of restrictions on many of India's defence scientific labs will pave the way for import of critical components and technologies.

While such assumptions paint a rosy picture, the reality is actually very different. Four scenarios are laid down for further debate. First, the American discomfort on sale of weapons without

signing agreements like CISMOA, LSA and BECA is likely to culminate in system acquisition by India that will be without critical support. This poses a challenge to the Indian scientists how to make the systems workable with Indian solutions. Previous experience of avionics and sensor integration to Su-30 by the Indian scientists gives much encouragement in this regard. Second, the American discomfort about Indian 'direct defence offsets' and FDI policies. The Americans would prefer 'indirect' to 'direct' offsets and would be happy if the FDI limit is raised to 49% or beyond. It would be wise on India's part if it carefully refines offsets conditions and resists the demand to raise the FDI limit for the moment as the larger Indian military industrial complex, at the moment dominated by state-owned defence firms, has not yet reached a level of maturity and global competitiveness. Third, we do not know why President Obama used the word 'so-called' entities list when it is 'real'! It will be wise again to wait for a while till the Americans work out on the list and impact of removed restrictions. Bulk of the Indian scientific community is still suspicious, so are many of our military leaders and even some of our pragmatic political leaders on this issue. Last but not the least, while the American decision making works on a composite system through which executive decisions are executed in a relatively fast manner, the Indian system is vertically structured and virtually independent of each other. Thus, the latter not only is a major hindrance to speedy decision making, leading to delays but equally importantly it leaves little accountability if things go wrong. If India wants a workable military industrial partnership with the US, it has to not only bring in reforms in its higher defence management structures but also emphasise collective decision making in an open environment.

Dynamics of military trade have changed from 'arms and influence' during the Cold War era to 'arms and incentives' in current times. If India wants strategic dividends from arms acquisitions, it must craft its acquisition policy in a prudent manner with the aim of bringing in knowledge that necessitates a higher degree of trust with the US. It should go beyond economics to factor in larger strategic considerations as well.

This article was first published the [Financial Express](#) on the 22nd November 2010. The author is a senior fellow in security studies at the Observer Research Foundation, New Delhi.