

DEFENCE AND SECURITY ALERT

SAARC COUNTRIES : US\$ 20
REST OF THE WORLD : US\$ 25

May 2015

INDIA : ₹ 120
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The First and The Only **ISO 9001:2008 Certified** Defence and Security Magazine in India



THE ONLY MAGAZINE AVAILABLE ON THE INTRANETS OF IAF, CISF AND BSF

ONE YEAR OF MODI GOVERNMENT

MAY 2014
49% FDI
Make in India 
DAC approvals
2014: ₹ 138,700 crore
2015: ₹ 42,371 crore
Modernisation of Police Force

DEFENCE & SECURITY APPRAISAL


MAY 2015

DSATM

MISSION

*The power of a King lies in his mighty arms ...
Security of the citizens at peacetime is very important
because State is the only saviour of the men and women
who get affected only because of the negligence of the State.*

— Chanakya





DSA is as much yours, as it is ours!

Central Asia has for many reasons been regarded as the gateway to India, geography being merely one of them. Through history it has of course been the route from which most invaders came. Over the last almost thousand years Turkic invaders came to India from the centre of Asia. Driven by the tales of untold riches that India possessed these nomadic tribes drawn from the various warring Turkic clans came to India and never really left. They got integrated, right down to food and language, into the vast social fabric of India. Even the last of them and the longest rulers amongst them, the Mughals, became Indianised. And like all of those before them, vanished from the throne and power.

These invaders were merely following the path that for millennia before them had sent forth traders and pilgrims from the Indian side of this, then, Trans-Asian highway. India sent its valued goods and its remarkable Buddhist pilgrims, deep into Central Asia. Buddhism and commerce cemented Indian influence in the sparse plains and mountains of these hardy people. In that sense they were also the gateway from India. And now there is an opportunity, nay a necessity, to make that a reality again.

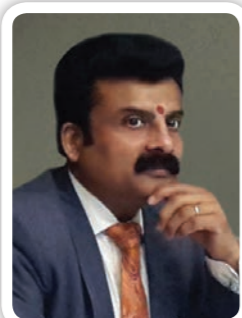
The driver to that reality can once again be trade and commerce. But for that exchange to happen and succeed, there must first be realisation of the peculiarities of this region. Lying between South and Central Asia is the long suffering landscape of Afghanistan. It is indeed a bridge country, connecting both regions of the Asian land mass and remarkable for what it has absorbed from both, in terms of culture, cuisine and commerce. It is after all commercial interests that dictate India redevelop inroads into Central Asia. It is the corridor that connects India to most parts of Europe. But for Southern Europe all other parts are easier connected by road from India. However, for a road corridor to happen certain steps need to be taken on the guerrilla landscape before trade can start rolling, again.

Events in Yemen and the continuing turmoil in Somalia, point to one basic fact long pushed under the carpet – it is possible that the Red Sea-Suez shipping routes can come to be blocked. Simply the absence of governance can cause that to happen. That would be devastating. So a safe land route needs to be developed, but for that to happen Afghanistan needs to be stabilised far more than it has been in the recent years. Even if Pakistan continued to play spoiler to Indian trade to Central Asia and beyond, the Iranian port of Chabahar provides an ideal *entrepôt* to Central Asia and thence to Europe. For starters though, Afghan security and stability is a must and in which project India needs to cooperate with all stakeholders, near and distant. The Central Asian Republics have long been in the shadow of Russian interests, as vassals, colonies or unwilling partners in the Soviet dream gone sour.

Russia has a certain privilege in these CARs which cannot be faulted. There is thus a continuity in the affinity they have toward India. This needs to be developed and there is no greater occasion to revisit this region than the first anniversary of the election victory of the BJP-led National Democratic Alliance part two. This is, thus, the next frontier to be overcome by the NDA government. It has numerous achievements to its credit, chief amongst them being that India's defence, security and foreign policies have been put back on the rails.

As the engine begins its next journey there is a vital need to align it towards the former gateway of India and reopen routes, barriers and bridges, thus forming a gateway from India. The impact of this gateway will be seen all the way to the various capitals of Europe and beyond. The NDA government has tackled many a challenge head-on and successfully, but there is still much more that needs to be done. Chief amongst them is to marry geography and politics, so as to realise vital national interests. Geographically the closest challenge that remains is the one posed by the CARs and their Russian allies. Overcoming this could well be the biggest feather in the cap of the current NDA government for years to come.

Manvendra Singh



MODI MAGIC WANING?

After a hyperactive itinerary of international travel and building bonds with powerful and influential leaders, the month of May witnesses the milestone of ONE YEAR in office of Hon'ble Prime Minister Narendra Modi's government. In accordance with the traditions of previous governments over the years, (when they have managed to survive the churning of Indian politics – the iconic Atal Bihari Vajpayee's first coalition government lasted just 13 days) there will very likely be mega celebrations and a splurge on advertisements in print and electronic media. Despite the hype and ballyhoo, the prevailing perception is that his government has not been able to live up to the expectations of an aspirational India.

His government is facing the consequences of a dual-track policy of talking inclusive politics but hunting with packs of what have come to be described by the media as the fringe elements. The Modi government's flagship mission 'Make In India' suffered a grievous psychological body blow when it became known that the logos for the 25 selected sectors were designed by an American firm. It is appalling that in a population of more than 127 crore Indians, the Modi government could not find a team creative enough to design the required logos within the country!

With Modi at the helm, India had been expecting a paradigm shift in the general work culture and with palpable evidences of promises made in the Vision Document by the BJP-led coalition, the assumed metamorphosis from where the Congress-led UPA government left the nation is still inconspicuous. There are signs of an alarming stagnation, Moody's and Obama's certifications notwithstanding. Although there has been a flood of pronouncements on every national endeavour, we will concentrate our critique only on Defence, Security and International Relations.

'Make In India' has been a very multi-dimensional vision of Prime Minister Modi, right from the formation of the government. His mesmerising (bamboozling?) speaking skills contrived every Indian to start believing in the poll time chant of *Achche din aane waale hain* (Good days are coming). His emphasis was on the following points:

- His reign will be the pride of the country
- It will make India self-sufficient in 25 selected sectors
- It will generate millions of jobs for the Indian youth
- It will boost exports and generate huge foreign exchange
- It will increase per capita income

'Make In India' in the Defence and Security sector is an imperative that can no longer be ignored. Concomitantly, the decision to buy 36 *Rafale* fighter jets in a government-to-government deal from France has once again left the nation open to escalation clauses in maintenance support with absolutely no assurance that third party contributions in the avionics suites installed in the aircraft will not cause delays and original equipment manufacturer embargos. Progress in the joint development of Fifth Generation Fighter Aircraft with Russia has also been very tardy.

In the geopolitical scenario, notwithstanding the frequent perambulations of a very outward bound Prime Minister, Modi has not been able to express clarity on his department on Pakistan and his equation with this infestive neighbour has been an inexplicable see-saw game. No talks one day and sudden negotiations the next has left Indians wondering as to what exactly is happening. A massive skeptical intrusion across the Line of Actual Control in the Chumar sector of Ladakh during President Xi Jinping's visit to New Delhi is dreadfully baffling with speculations of Chinese gimmicks during Modi's visit to China in May 2015.

I am sure that dissertations in this edition from conscientious experts will surely ALERT the Modi government on shortcomings, negative perceptions, urgent needs of the country and the way ahead, especially in the fields of Defence, Security, International Relations and other thrust areas.

Jai Hind!

Pawan Agrawal

Announces JUNE 2015 Issue on MODERNISATION OF POLICE FORCES



SECURING MEGA CITIES



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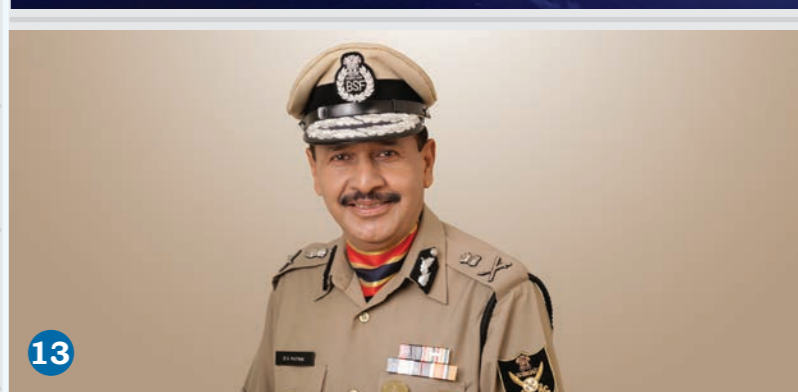
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MAKE IN INDIA A MYTH OR REALITY

In the recent past, the Defence Minister has reversed the decision to procure light utility helicopters (LUH), with the entire lot of 384 machines to be now manufactured indigenously, albeit with foreign collaboration. Similarly, the decision to purchase replacements for the ageing *Avro* fleet of the IAF has been questioned, as also the follow-on purchase of *Pilatus* trainer aircraft. Such decisions apart from having their pros and cons have also created an adverse impact on the foreign manufacturers who perceive it as a continuation of being fickle minded.

It has been repeated *ad nauseam* that India imports 65 per cent of its defence procurements and is the world's second largest arms importer (Saudi Arabia recently beat us to the first position). In contrast, China, a country that we love to compare ourselves with, has become a net exporter of weapons, after years of relying

on imports while simultaneously working towards gaining expertise to develop indigenous equipment.

Initial Efforts

Mission 'Make in India' was launched in September of last year, to transform the country into a manufacturing hub; to achieve success in the

Top Defence Importers 2013	Top Defence Importers 2014
1. India	1. Saudi Arabia
2. Saudi Arabia	2. India
3. UAE	3. China
4. Taiwan	4. UAE
5. China	5. Taiwan
6. Indonesia	6. Australia
7. South Korea	7. South Korea
8. Egypt	8. Indonesia
9. Australia	9. Turkey
10. Singapore	10. Pakistan

initiative, it was planned to simplify licensing procedures, remove bureaucratic hurdles and red tape and to ease the inflow of investments; the initiation of the process was to begin with defence manufacturing. Prior to launching this venture, the present government took at least three steps to have a direct bearing on defence industry in India. First, a list of items requiring an industrial license was published in June 2014. Second, also in the same month, a security manual for licensed defence industries was notified. The third step was two months later, when the limit for Foreign Direct Investment (FDI) was increased to 49 per cent from the then 26 per cent, with a proviso that should there be access available to state-of-the-art technology, then a higher limit of FDI could be permitted. Sadly, till date, these measures have not been able to attract any major proposals, so much so that the government has recently admitted in Parliament that a mere US\$15 million has trickled in. This figure is insignificant compared to the contracts worth US\$ 60 billion, signed in the last ten years and the planned expenditure in the coming ten years, of US\$120 billion.

There was hope that in the recently concluded Aero India 2015, the new government's promise of quick decisions and changed policies, would

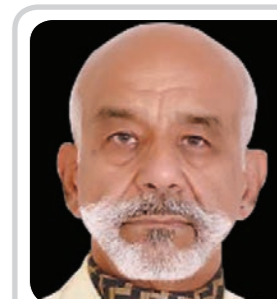
focus international attention to the Indian aerospace industry and extract it from the buyer-seller marsh that it has been rotting in, with production only under license. The anticipation, however, soon changed to despondency, with the ever-familiar impulsive announcements, systemic fog and instability continuing in decisions of the Ministry of Defence (read Raksha Mantri). This earlier situation continues, notwithstanding the frequent and numerous assertions by Prime Minister Modi that national security and military matters interest and captivate him and no delay would be acceptable in these areas.

PM At Aero India

The five-day biennial extravaganza at Yelahanka, Bengaluru, saw the Prime Minister break protocol to inaugurate the Air Show. This was an indication that the government was serious in providing the necessary thrust to its 'Make in India' campaign. The government wished to indicate its determination to push its efforts towards

indigenisation by making announcements to that effect in the meetings of the Defence Acquisition Council (DAC), chaired by Defence Minister Manohar Parrikar. In the recent past, the Defence Minister has reversed the decision to procure light utility helicopters (LUH), with the entire lot of 384 machines to be now manufactured indigenously, albeit with foreign collaboration. Similarly, the decision to purchase replacements for the ageing *Avro* fleet of the IAF has been questioned, as also the follow-on purchase of *Pilatus* trainer aircraft. Such decisions apart from having their pros and cons have also created an adverse impact on the same level foreign manufacturers who perceive it as a continuation of being fickle minded. While it is a welcome initiative to boost the local defence industry, it also means that the Army and the Air Force would have to make do with obsolete machines for some more time, thus affecting the operational preparedness.

The Prime Minister's inaugural address at the Air Show can be summarised under four broad headings. First, it is India's intention to be the



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The 'Make in India' plan conforms to Modi's vision and affirms his reputation of being a pro-growth leader



hub of defence manufacturing, not just for the local users, but for export too. Second, policies pertaining to licensing and investments are being streamlined to make India a business-friendly country; this would include speedy clearances for Greenfield projects too. Third, that the Indian defence industry, both in the public and private sector, is all excited and is gearing up to meet the challenges of joint collaboration, in development and production. Lastly, the policies are in the process of being amended, to cater for economies of scale and to protect India's reputation as being a dependable partner.

Notwithstanding the fact that no mega deals were signed in the regime of the aerospace industry, nor did any of the pending contracts reach a finalisation, the 'Make in India' theme did generate some optimism amongst the participants, both Indian and foreign. The Prime Minister clarified at the very start of his talk the reasons behind his pitch for developing the defence industry in India. Mentioning the rich economic benefits that would accrue in terms of generating employment, increasing investments, he emphasised the need for raising the technology levels; the days of a 'joint venture' meaning assembling in India were over, as could be made out from his address. To achieve his aim, the Prime Minister cited the various measures that the government has initiated or is in the process of initiating; the process includes, apart from the increase in FDI and simplification of the procurement policies, export-oriented production guidelines with proper quality control and amplification on the offsets strategy.

Do We Have It In Us?

The Prime Minister is quite sure in his mind that India needs to increase its defence preparedness, knowing its security challenges, both external and internal. The 'Make in India' plan conforms to his vision and affirms his reputation of being a pro-growth leader. There is not an iota of doubt that manufacturing has to be promoted if the economy is to surge ahead. Studies have shown that even a 20 per cent reduction in imports could directly create an opportunity for an additional 100,000 plus high-skill jobs in India. If the present domestic procurement were to be increased from 40 per cent to 70 per cent, in the next five years or so, the output of the defence industry would be doubled.

A strong industry can boost investment, expand manufacturing, support small and medium enterprises, raise the technology levels and hence, contribute towards the overall economic growth of the nation. Some essential steps need to be taken to ensure success in this field; mere words, either by the Prime Minister or by the Defence Minister, would not steer the industry. The government, followed by the private sector and the public sector,

have all to contribute their bit towards the success. So where does one begin?

The government took the first step when it increased the FDI limit to 49 per cent. This move, however, did not generate the enthusiasm as it was expected to, as the foreign companies wanted full control over the high investments that they were expected to make. The clause of a higher limit, in cases where there would be transfer of state-of-the-art technology to the Indian partner, was either not understood or ignored; clarifications from the Prime Minister himself should provide the necessary impetus. It is now up to the private sector, which is still in its infancy in comparison to the public sector in defence production, to gear itself for the challenges ahead.

Another distressing barrier to the success of the 'Make in India' process are the numerous clearances and hurdles, both political and bureaucratic, that the manufacturers see. The country has experienced the hesitancy of decision-making and refusal of clearances even for projects that have a direct impact on national security. Any new defence manufacturing project requires approvals from many departments, to name just a few, taxation, excise, foreign trade department, industrial promotion, heavy engineering, green agencies and others; inter-ministerial coordination is, hence, essential without fear of the three C's, namely, the CBI, the CVC and the CAG. A solution to overcome this hurdle would be to get all departments under one roof, as a part of the clearance process – easier said than done!

Youth Power

India's key advantage over many First World nations is its youth power. Studies have reported that by 2016 – a not too far away period – every fourth skilled worker added globally, will be an Indian. There is an urgent need for skilled workers in the defence industry, more so in the aerospace industry, which depends heavily on high-end technology. What good is the addition of skilled workers, if their employability is low? There is an immediate requirement for the active involvement of academic institutions in passing out quality product – or else India will be known as a nation of low-quality, low-cost and low-return employability.

To create new skill sets, there is a corollary. India needs to significantly increase spending on research from its current US\$ 36 billion (in terms of purchasing power parity), which corresponds to about 1 per cent of GDP. In comparison, China, in 2012 spent US\$ 296 billion or 2 per cent of its GDP on research and USA spent US\$ 405 billion, about 2.7 per cent of GDP. The government has promised support for research and development with the introduction of a scheme wherein 80 per cent of the funding will be provided by it for the development of a prototype; this is in addition to the launch of a Technology

Development Fund. The government also wishes to break the monopoly of the DRDO in R&D, by involving the private sector, the academia, industry and independent experts.

Already Made In India

The Prime Minister has been repeatedly asking foreign companies and Indians residing abroad, to come to India and boost the 'Make in India' campaign. While the lead time to achieve what the Prime Minister desires will, in all probability, be considerably large, the current year is turning out to be a golden year for what is already being made in India in the aerospace industry.

The cancellation of the order for the LUH, so direly required for high altitude operations by the Army and Air Force, is proving to be a bonanza for HAL. The first flight of the LUH is scheduled for August 2015 and the fabrication of additional two prototypes is to follow soon thereafter. One can only hope that HAL would meet the timelines that it has set for itself, considering the urgency and not perform as per its past reputation.

India has been moving ahead in the design and manufacture of unmanned aerial vehicles (UAVs). Aeronautical Development Establishment (ADE), in collaboration with Honeywell, has developed a medium-altitude long-endurance UAV, which was to begin its test flights in mid-April (even as this piece is being written, there is no confirmed news of the flight schedule). Once the test flights commence, it is hoped that the UAV would accelerate towards final operational clearance.

The indigenous *EMB-145i*, airborne early warning and control aircraft was on display at the Air Show in Yelahanka. The aircraft, a Brazilian *Embraer*, is likely to enter service with the IAF later this year. It has caused ripples in the region, both because of the enhancement of surveillance capability of the IAF and the indigenous technology development. The platform includes the critical item – an Active Electronic Scanning Antenna – developed by the DRDO and certified by the International FAR Certification Agency, the ANAC. The IAF is expected to receive two such aircraft this year, followed by another sometime later.

Close on the heels of the operational clearance of the LCA, is the forthcoming Initial Operational Clearance (IOC) of the Light Combat Helicopter (LCH), planned for September 2015. HAL seems to have shaken off its lethargy and has initiated the manufacture of two additional technology demonstrator helicopters, at a cost of ₹ 150 crore, using its own funds; probably a first for HAL, this is being done with the approval of the Board of Directors, to accelerate the clearance process.

Apart from the public sector, there are some Memoranda of Understanding and contracts that have been finalised between companies from the private sector and foreign collaborators. To serve

the increasing need of military flight simulators in India, Zen Technologies, in partnership with Rockwell Collins, have decided to combine their strengths in simulation and training. The rotary wing platform will provide flight and mission aspects and would be a cost-effective, 'anytime-anywhere' facility for the defence forces.

Keeping in tune with the policy of FDI, the Kalyani Group has joined hands with Rafael Advanced Defence Systems of Israel, in a 51-49 joint venture. The new company will enable the development and manufacture of high-end technology systems within the country. Additionally, the Group has also been included in Boeing's global supply chain with an order to manufacture titanium forgings for wing components for the new 737 and 737 MAX programmes.

Rolls-Royce has awarded a contract worth US\$19 million to a subsidiary firm of Tata Motors, TAL Manufacturing Solutions Ltd, for the manufacture and supply of precision aero engine components. The contract will run through to 2022 and was awarded after a selection process involving several global competitors. The TAL has also entered into a partnership with RUAG Aerostructures for the production of aero structural components and sub-assemblies for the Airbus' successful A-320 programme, with a potential contract value of US\$ 150 million.

Conclusion

The present government has been aggressively promoting its campaign of 'Make in India'. As far as the Prime Minister is concerned, it is not mere sloganeering; he has focused his attention on the defence-manufacturing sector and is spurring the sector to achieve what he wants. If the required infrastructure in terms of a road network, ports and the other wherewithal operates without countering any encumbrances – and without corruption – there is no reason why India cannot be a leader in the field. Many questions, however, are being asked, many doubts being raised, on the capability of the nation to become a powerhouse in defence manufacturing, with the all-pervasive red tape and corruption. The answer, perhaps, is still evolving. Some baby steps have been taken.

The systemic fog and arbitrariness with the familiar unpredictability have to be removed with firmness through the implementation of new policies, without bureaucratic lethargy and parochial politics. The government has to review the entire system of procurement and manufacturing in the defence sector and restructure regulatory provisions across the board, to provide clarity for the Indian and foreign vendors to carry out their business in India. The 'Make in India' campaign, launched with much fanfare, is otherwise doomed to failure, with the modernisation of the Indian Armed Forces through indigenisation, doomed to be consigned to the wastepaper basket, as a yet another futile dream.

It is now up to the private sector to gear itself for the challenges ahead

PM Modi has focused his attention on the defence manufacturing sector


One Rank One Pension


WELFARE OF DEFENCE PERSONNEL NEW INITIATIVES BY THE MODI GOVERNMENT

If the Modi government is serious about the welfare of defence personnel there is much that needs to be pursued with vigour on aspects that require little or no financial investment. The military man is not looking for doles from the political dispensation or the country. He is only looking for the government to do its duty.

Before entering into any discussion on the subject of the 'Welfare of Defence Personnel' in the Indian context it is essential that the subject be placed in perspective. Most Indian defence personnel (both serving and retired) and probably most defence analysts who have applied themselves to the subject, will no doubt agree that the political leadership in India has in the past, been at best patronising, but mostly condescending, about the aspect of the 'welfare' of defence personnel. As if a great favour is being bestowed on that section of society. In most countries in the Western world, as also in countries like Russia, China, Vietnam etc significant sections of the political leadership, particularly in the second half of the 20th century, comprised those who took active part in the two World Wars, the 'Long March' in China or the intense battles in Vietnam (and many other such instances). They were therefore aware at first hand, of the demands placed on defence personnel and the sacrifices they make in the service

of their countries. And in that context ensured that defence personnel, both those in service as well as those who have joined the ranks of veterans, are not only well taken care of, but given what is their rightful due from the society whose security they dedicate their lives to. Though the current generation of political leadership in these countries may not have the same numbers as before who would have served in the defence forces, the culture ingrained in those societies of giving respect to and looking after their defence personnel, is still carried forward without dilution.

Neglect By Design

On attaining Independence from the British in 1947, the Indian leadership (particularly in the absence of Netaji Subhas Chandra Bose), notwithstanding their outstanding political credentials, had no such experience. As it transpired, despite evidence that the departure of the British had much to do with their awareness that they could not continue to rely on the loyalty of the personnel of the Indian Armed Forces

(the events of 1857 were a warning, as was the Naval uprising), the then political leadership remained suspicious of the Indian military and its loyalties. One is not too sure that despite all the proof provided, time and again, over the last 68 years, the political leadership has overcome reservations about the Indian Military. It is therefore not surprising that, notwithstanding the occasional rhetoric about the sacrifices the military makes in the service of the nation, the political leadership is lukewarm at best when it comes to addressing the aspect of the welfare of defence personnel. And even more unfortunately, the civilian bureaucracy (notwithstanding some notable exceptions) is downright dismissive and often antagonistic to the aspect of the welfare of defence personnel and their status in society.

On Constant Alert

Another aspect that needs to be placed in perspective is why, like the need for 'welfare of the poor and the needy', 'farmers with small holdings', 'the handicapped' etc we need to address the 'welfare of defence personnel'. It is because the military is the only profession that calls for the ultimate sacrifice in performance of one's duty; that of 'laying one's life on the line' without question. Fortunately, the country goes to war only every now and then. Even so, the fact of the matter is that the Indian defence personnel are deployed 'round-the-clock' on our borders, the Line of Control, the Line of Actual Control, on counter-insurgency tasks, on counter-terrorism tasks, disaster relief and so on. And take casualties in the process all the time. Allowing their civilian counterparts to sleep in safety and comfort of their homes. Hence it does the establishment no credit to be patronising or condescending on the subject of the welfare of defence personnel.

In so far as the 'New Initiatives of the Modi government' on the subject are concerned, while one is following with great interest and admiration, the initiatives on the vital aspects of economy, foreign policy, development of infrastructure, the needs of the farmers, upliftment of the poor and so on, the only real sound-bites on the welfare of defence personnel have been restricted to the One Rank One Pension issue and that too in rather muted terms.

Non-financial Tangibles

If the Modi government is serious about the welfare of defence personnel there is much that needs to be pursued with vigour on aspects that require little or no financial investment. The military man is not looking for doles from the political dispensation or the country. He is only looking for the government to do its duty. Which in context of the peculiar conditions of service and circumstances primarily relate to the following:

- Security and welfare of their families in the villages, to include parents, spouses and

children; which translates into understanding, consideration and assistance by the local civil administration and the police.

- The soldier, sailor or airman should not have to go down on his knees to secure admission of his children into good schools, even where he is prepared to pay the high fees that are demanded. Needless to say, the Service schools have done yeoman service in this context. But if an individual wishes to send his ward to a renowned institution, let that be facilitated; it is an investment for the future of the country.

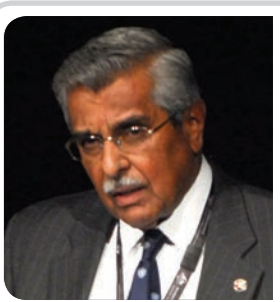
- Security and welfare of widows and children of those who die while in service; in battle or otherwise. In terms of rehabilitation that enables a reasonable quality of life, education of the children and healthcare.

- The One Rank One Pension issue.

Manpower Management

Whereas the issues mentioned in the preceding paragraphs deal with welfare aspects that fall within the purview of the moral duty of the government towards its defence personnel, there is great deal more that can and must be done that while addressing the welfare of defence personnel, would enable the government to reduce the defence pension bill while harnessing disciplined and trained manpower of the defence forces to productive use in the service of the nation. Though expenditure on defence pensions (which apparently works out to almost three quarters of the pay and allowances outlay in the case of the army), is not included within the Defence Budget, it has to be met from the overall financial resources available to the Government of India. Hence the imperative need to prune expenditure to the extent feasible, by addressing the important aspect of defence manpower.

There can be no gainsaying the fact that the quality of manpower inducted into the Indian Armed Forces must always be maintained at the highest levels possible. To that extent, entry-level educational, physical and psychological standards cannot be compromised. Equally, pay and allowances offered should, while not necessarily attempting to match



Lt Gen Satish Nambiar PVSM, AVSM, VrC (Retd)

The writer was commissioned into the Maratha Light Infantry in December 1957.

As Director General of Military Operations he led two defence delegations for discussions with Pakistan. He was appointed the first Force Commander and Head of the United Nations forces in the former Yugoslavia and retired as the Deputy Chief of the Army Staff on 31st August 1994.

He was conferred the Padma Bhushan by the President of India on the occasion of Republic Day 2009 for his contributions to National Security Affairs. A life member of the Institute for Defence Studies and Analyses, New Delhi, he has since February 2011, joined the Institute as a 'Distinguished Fellow'.

It does the establishment no credit to be patronising or condescending on the subject of the welfare of defence personnel

levels in the corporate sector, be attractive enough to draw acceptable material. Similarly, terms and conditions of service including avenues for employment on leaving service should be attractive.

Colour Service And Reserve Liability

As things stand, it appears that for entry at levels below officer rank, there is no serious problem, including for higher-grade technical entry in the three Services. However, given the operational imperative for a youthful profile, recommendations have been made in the past for implementing an arrangement for a specified period of colour service together with an appropriate reserve liability period, for Personnel Below Officer Rank (PBOR). Such an arrangement presupposes that those who complete the period of colour service are afforded the following options; subject of course, to reserve liability:

- Pursue a choice of their own; in which case the government has no further role to play, other than continuing to provide such personnel with some facilities that accrue to them by virtue of their service in the defence forces.
- Lateral induction for service till the permissible retirement age (of 60 or as determined from time to time) in the paramilitary forces, Central or State police, public sector undertakings etc. The private sector could also be encouraged to exploit this treasure of human resource
- Those who wish to continue in the defence forces and are considered fit for promotion to the ranks of non-commissioned and junior commissioned officers should be absorbed for retention for appropriate periods after which they should be entitled to pensionary benefits, free medical treatment for themselves and families and other facilities.

The above options are without prejudice to the avenues available to PBOR to prepare themselves for and try for entry into, the officer ranks through the respective officer training academies by going through the appropriate selection processes.

Officer Cadre

In so far as commissioned officers in the armed forces are concerned, there is need for a variation in approach. The first point that needs to be made is that the pyramid structure of the armed forces hierarchy imposes on the organisation the requirement to have a largely short service cadre of officers who serve for about five to ten years at the junior level of captains and majors that form the base of the structure and then move out into other areas of employment. Complementing this is a regular cadre that provides the frame and the hierarchy. With the current scales of pay and allowances, it is probably fair to state that there are few problems of getting appropriate volunteers for entry into the regular cadre through the National Defence Academy and direct entry at the

respective Service academies. The existing shortfall of about 13,000 officers is at the level of Captains and Majors due to the fact that the establishment has not been able to attract the youth of the country into the short service category in adequate numbers. This is unsurprising as the terms and conditions are rather unattractive to an aspiring youngster. The question the 'powers-that-be' should ask themselves is: why should a bright young person who has just graduated from college at the age of 21 or so, aspiring to do well for himself or herself, join the ranks of short service commissioned officers in the Indian Armed Forces, serve for five or ten years, largely under inhospitable conditions

and then, at the age of 26 or 31, set out all over again to look for a place in the highly competitive market place where there is already so much unemployment? The answer to this rather depressing outlook lies in providing those, who after completing the terms of short service engagement are interested, with scope for lateral induction into the Central and State government services including the paramilitary, Central and State police forces, public sector undertakings and others with an opportunity to obtain desired skills through management courses or information technology courses etc at government expense either before leaving the Service or after. Needless to say, those who are interested in continuing in the Service, should be screened for the purpose and given regular commissions provided they qualify.

Lateral Induction

Such measures if implemented, will not only be one way of addressing the aspect of welfare of defence personnel, but ensure a youthful profile in the Services, significantly reduce the government's pension liability and make available to the wider community in the country, well-disciplined, well-trained and physically and mentally fit human resources with the capacity to deal with difficult and dangerous situations when the need arises. This will be of particular value in terms of trained manpower to the paramilitary and police forces dealing with insurgency and left wing extremism.

This aspect of 'Lateral Induction' of defence forces personnel was one of the major recommendations of the Kargil Review Committee, endorsed in the 2001 Group of Ministers Report and reiterated by Parliamentary Standing Committees for Defence, as also by the Sixth Pay Commission. Implementation has been stalled by vested interests on flimsy grounds that merit little scrutiny. All that is required are executive directions for implementation. We shall wait with bated breath to see whether the Modi government really has the capacity and the will to take action on this vital issue, rather than indulge in the same rhetoric that we have been subjected to in the past. **DSA**

Terms and conditions of service including avenues for employment on leaving service should be attractive

**DK PATHAK IPS
DIRECTOR GENERAL BSF**

DK Pathak, IPS, took over the charge of Director General of Border Security Force on 08th April 2014. He is the 22nd Director General of elite Border Security Force, which is the largest Border Guarding Force of the world having strength of over Two Lakh fifty Thousand (2.5 Lakh) brave and dedicated Border Men protecting the International Borders with Pakistan and Bangladesh.

Born on 1st March 1956 DK Pathak did his Master degree in History from Delhi University in the year 1978. He belongs to the 1979 batch of the Indian Police Service and was allotted the Assam-Meghalaya Cadre. In his early days in the Indian Police Service he has served in various Positions in Meghalaya Police and Assam Police. Subsequently, he served in Oil India Ltd, New Delhi as Chief Vigilance Officer, in CRPF as Inspector General Srinagar, IG CoBRA Sector, IG (Pers) CRPF HQ, Addl Director General (Trg), Addl Director General (HQ) and Special Director General, CRPF, J&K Zone and thereafter joined as Special Director General in BSF on March 1st, 2014. Important assignments handled by him are:

Held charge of four districts as SSP in Assam and Meghalaya and also held charge of one range for continuous four years. Worked as CVO in Oil India Ltd, New Delhi.

Assigned to handle strife-torn and volatile law and order situation in Assam as IG (Law and Order) and ADG (Law and Order) for a record period of 05 years continuously. In CRPF in 2008 on central deputation and got posted to J&K. Entrusted to raise elite Anti-Naxal force, CoBRA of CRPF. Entrusted to revamp training of the CRPF, apart from giving momentum to IT, Provisioning, Administration etc as ADG (HQ and Trg), in order to achieve optimum professional acumen of the Force. Attended International Senior Seminar on 'Strengthening the Legal Regime for combating Terrorism' in Tokyo, Japan.

DK Pathak has been decorated with Police Special Duty Medal, Police Aantrik Suraksha Medal, Police Medal for Meritorious Service and President's Police Medal for Distinguished Service. He has also been awarded with several DG's Commendation Discs. **DSA**





THE DEFENCE MOOD IS POSITIVE ISN'T IT?

A year down the Modi government road, are there *acche din* for the defence forces to celebrate or, is India unable to separate high rhetoric from delivery? Is 'Make in India' the right way ahead or so poorly etched out that each player; actual or potential, views the programme's outreach as per their convenience? The writer takes a dispassionate look.



Let's start with the good news first – and there are a few worth flagging. For one, Moody's; the international rating agency has just upgraded India from 'stable' to 'positive'. For another, India's foreign policy during the Modi regime has dynamically upgraded its diplomatic clout and impact. Not the least, the just concluded out-of-the-box Government-to-Government (G2G) sealing of the French *Rafale* deal to supply 36 fighter jets in flyaway condition at favourable terms (along with a French commitment to invest

€ 2 billion in India) adds to the belief that India is finally walking its talk. Even as the IAF, beleaguered with reducing aircraft numbers stands 'oxygenated' (RM Parrikar's words), the naysaying lobby imputes that this unexpected turnaround is ill-thought-through political expediency that spells the death of Modi's flagship *Make in India* formulation for India's defence forces and industry. Are we therefore face-to-face with cognisable or simply high flown rhetoric? Are we breaking free or are our defence forces perpetually compelled to 'fight with what they have'?

The Rafale Case

The *Rafale* case is curiously illustrative of the muddled waters that surround India defence policy formulation and implementation. Ex Naval Chief, Admiral Arun Prakash, a war-decorated naval fighter pilot has, in his prescient article, *The Rafale Conundrum: Lessons to be learnt* pointed out that while the *Rafale* deal will 'redress a critical IAF inventory gap' it may turn out to be a pyrrhic victory for the manufacturers, Dassault Aviation. This firm may have shut shop but for the recent Egyptian and now Indian *Rafale* orders. With obsolescence an issue, the confidence-draining, dawdling indigenous *Tejas* project and growing Chinese military threat, the IAF had recourse only to quick-fix solutions resulting in the MMRCA initiative from which the *Rafale* emerged as the winner.

The core idea was that of the 126 aircraft negotiated, 18 would be in flyaway mode and the rest under the *Make in India* platform; a mode in which Dassault has little confidence given that HAL with its sorry performance record will be manufacturing them. Dassault isn't willing to stand guarantee for the HAL version. The other nagging point is that *Rafale* isn't really the 'cheapest' among the evaluated aircraft because the 'fine print' costs weren't interpreted carefully enough by us. Why wasn't cost escalation pinned down? Why weren't lessons learnt from the expensive *Scorpene* submarine purchase in which another French firm, Thales had interpreted the fine print to its advantage? Admiral Prakash opines that we've no answers; only hand-wringing and bureaucratic wrangles on offer.

Since France manufactures just 12 *Rafales* a year, the IAF will receive some refurbished aircraft at lesser costs. The subtext however is that India will have to cancel the current *Rafale* deal and buy its net MMRCA (*Rafale*?) requirements on a G2G basis, thus cutting out middleman corruption. While some lobbyists are panning the *Rafale*, the IAF is delighted because its experience with the in-service French *Mirage 2000* has been good. Also, the French government has tight control over Dassault so the deal is likely to be backed by an unwritten government guarantee for timely deliverance of what is promised.

Is this deal the death of Modi's much touted *Make in India* label? Or, will the new deal include an impetus to *Make in India* between Dassault and a consortium of public/private aircraft developers? Will government invest in upgrading HAL to meet Dassault specifications? The stand the government takes will impact hugely on Modi's vision for self-sufficiency in Defence.

Defence Problems Aplenty

A reality check indicates that we have plenty ...? The IAF and the Army do not have an in-house R&D capability unlike the Navy which interfaces

on equal design terms with the DRDO and also provides quality project oversight to them. Not just that, the harsh reality is that the DRDO is not directly answerable to the defence forces since DG DRDO is also SA to RM and has direct access to him. DRDO isn't therefore accountable to end users for its ineptitude/cost overruns.

Sadly, the military has no government validated national security policy; spin-off warfighting doctrines; no impact study on effect of high technology on the quality and quantity of force size and force structures. It does not have an integrated decision-making matrix to aid decision-making. By implication, there should be need for lesser tanks, guns, aircraft, personnel ... for linked warlike materiel because future war won't be manpower but technology intensive where lesser weapons/equipment will be capable of multitasking. Overall, leaner and meaner is the current dogma worldwide but we've hardly acknowledged this reality considering how our figures for capital assets and for 'more boots' remain unchanged.

In the Services, we also carry the liability of possessing diverse

India's foreign policy during the Modi regime has dynamically upgraded its diplomatic clout and impact

weapon platforms bought on the basis of what was offered rather than what was desired. Consequently, we have a logistics nightmare coping with a bewildering variety of non-standard equipment from different countries. For India with its mainly Soviet origin equipment profile, the morphing of USSR into CIS has crippled reliability. With most spares imported, those bought from CIS countries fail quality testing norms but satisfy lowest tender requirements thereby degrading our operational readiness. With DRDO unable to provide spares despite ToT; it's a Catch-22 situation with the end-user being the loser.

Business Operating Environment

PM Modi accepted in Germany that the task of 'turning around systems in India is huge and won't be completed overnight'. He reiterated that problem areas have been identified and 'unnecessary regulations being removed; procedures simplified' to ensure that *Make in India* with foreign participation works. To aid this, he has promised a 'predictable, stable and competitive' tax regime and removal of the 'remaining uncertainties'.



Maj Gen Raj Mehta AVSM, VSM (Retd)

The writer has held varied command and staff assignments; an important one being a Brigadier in Military Operations Directorate. He has served as Chief of Staff in two Corps Headquarters and has had a number of command and staff assignments in J&K. He has taught at the National Defence Academy and the Defence Services Staff College. He has done Masters in English and in Defence Studies and completed two MPhil qualifications; in Strategic Studies (Madras University, 1996) and in National and Global Security (National Defence College, 2001).



These presumably include issues like IPR. A leading Indian businessman present at Hannover felt however, that this should include the protection of minority (read Christian) rights whose violation in recent months has been condemned.

Defence Budgeting Blues

The defence budget 2015-16 put up by the Modi Govt was expected to be ‘walking his talk’ after years of deprivation; pegging at a lowly 1.74 per cent of GDP; well below the Parliamentary Committee’s recommended 3 per cent norm. In fact, it was an abject disappointment. The nominal increase of 7.7 per cent in the ₹ 2,46,727 crore (US\$ 40.4 billion) left defence analysts and the Services numbed; this at a time when China has allotted over three times the Indian allotment in its budget. It does not help that this has happened at a time when the Indian economy is showing clear signs of revival with growth predicted at 8.1-8.5 per cent and key international commodity prices have sharply declined. While the Army leads in budget allotment followed by the IAF and Navy, most budgeting is for revenue not capital expenditure. Add to this the yearly ritual of MoD surrendering substantial amounts unspent on the capital/modernisation head (₹ 12,622 crore for FY 2014-15) and you sense a serious disconnect between promise and delivery.

An underperforming DRDO in most spheres of its functioning hurts. Its *Arjun* MBT continues to disappoint and we continue to import the *T-90* tank. The DRDO modernisation of *T-72* tanks and *BMP-2* ICV’s barely limps along. Most big-ticket tank/artillery ammunition continues to be imported. Though a project to make the Future Infantry Combat Vehicle (FICV) stands approved, it hasn’t started. The voids in Artillery tubes are embarrassing with no worthwhile import or indigenous manufacture worth its name; this despite OFB possessing the Bofors ToT. A limited induction DAC proposal for Artillery and a DRDO-private sector effort is on but nowhere near operationalisation.

Air Defence is worse off with over 80 per cent of its equipment declared obsolescent with no real options in sight other than upgradation and limited *Akash* SAM induction. With helicopters, the situation is grimmer with future supply now being placed in the Buy and Make (India) slot. Critically, the Infantry soldier is without his Future Infantry Soldier as a System (F-INSAS). The new system includes a modular weapon with a thermal imaging sight, UBGL, Laser Range Finder, a head up display combat helmet with inbuilt radio, a bulletproof vest, a rucksack with GPS and body protection add-ons. As the wait continues, India has ordered 60,000 *AK* rifles ex import ...

Strategic and tactical communication is under varying stages of development partly because of the defence forces vacating some spectrum for commercial utilisation. The progress worth noting is in the Tactical Communication System (TCS) and Battlefield

Management System (BMS). TATA Power SED and L&T and Bharat Electronics Limited, HCL and Rolta India Ltd have won contracts to develop the TCS and BMS prototypes. The government has also recently cleared the indigenous construction of seven stealth frigates for ₹ 45,381 crore. These *Make in India* initiatives show future promise.

A review of modernisation capital needs reveals that a staggering amount of cash flow is required over the next three plan periods ending in 2028. Assessed by the Integrated Defence Staff (IDS), these needs for the Army priced at 5.5 lakh crore include ultralight howitzers, towed artillery guns, mounted gun systems, tracked SP guns, *Pinaka* launchers, *BrahMos* missiles, tanks, FICVs, Short range SAMs, TCS, BMS, F-INSAS, UAVs, missiles, the Mountain Strike Corps (MSC). The Navy needs nearly ₹ 7.5 lakh crore for developing its Rambilli, Karwar and A&N Naval Bases; for warships, conventional/nuclear powered submarines and for helicopters both multirole and reconnaissance. The IAF needs a similar amount for its fighter aircraft acquisition, fifth-generation fighter development; aircraft overhaul and modernisation and for various logistics and attack helicopters.

Moving Ahead On Make In India

No defence manufacturer in India or abroad is ruling that out – as yet. The problem is that its interpretation is a bit like blind men identifying an elephant for what it might be. Not quite a Modi brainwave, *Make in India* has been around for a decade but has been interpreted differently. It isn’t clear from the DPP 2013 formulation of five categories of Make – for most of which categories outsiders are ineligible – whether the aim is to promote self-sufficiency in defence or is the intent to persuade foreign OEM’s to set-up manufacturing hubs in India. The PM’s stated opinions point towards the latter.

Can such OEM’s bring state-of-the-art products into India and hand over cutting-edge technology while playing second fiddle to Indian partners (the maximum FDI allowed is 49 per cent)? The dice seems loaded against a serious flow of FDI and OEM interest as the business model appears flawed.

The OEM’s who dared to take the plunge are confronted with convoluted red tape evidenced from our dismal 142nd listing in ‘ease-of-doing-business’; a reality for which the PM apologised on April 13, 2015 in Germany. Government hasn’t so far walked its talk on labour reforms which are germane to successful indigenous manufacture. Tata Group Chief Cyrus Mistry echoed industry leaders concerns accurately when he recently said that “Our aspirations ... will be fulfilled if we address certain challenges on priority ... including creating critical infrastructure across the country supported by stable policies, transparent and competitive tax and duty structure, efficient and time-bound administration through e-governance and cost-effective, reliable energy ...”.

Make in India has been around for a decade but has been interpreted differently



As retired financial bureaucrat Amit Cowshish pointed out in a recent erudite article, what is really required to make the programme credible isn’t rhetoric but a synergised blueprint with laid down processes, procedures, decision-making and redressal structures, oversight, transparency and high efficiency as per international norms. We lack here because the Bureaucracy, Political class; regrettably even the military aren’t on the same table about what their desired end state is and how the Ends, Ways and Means of *Make in India* can be synergised. If they were, early bird countries like Israel (Defence equipment); UK (Renewable Energy) Russia (Manufacturing/Nano technology) would strive to ensure the success of the project with more joining in, much like a Gladwell ‘Tipping Point’ phenomenon.

Optimism Vs Cynicism

Ironically put, the military voice is visible because it is absent from Indian decision-making. The Modi government has promised to redress the issue but this’ll take time. Analyst Brig Gurmeet Kanwal notes that whenever key decisions were made; the decision to ‘throw out’ the Chinese in July-September 1962; the Sri Lankan IPKF intervention; the May 1998 nuclear tests of nuclear warheads, the military was hardly consulted; the civilian hierarchy/scientists were. Apex security structures also work whimsically; the NSC and CCS meet reactively for crisis management, hardly ever in a structured manner. So we await the promised appointment of a CDS; a greater say in DRDO and OFB functioning; few await

Theatre, Cyber, Space and Special Forces Commands and, not the least, for ending the degrading ‘attached to MoD’ label which places the Services outside rather than inside MoD.

We also await a say in foreign policy formulation. For instance, analyst Dr David Brewster has mentally mapped the Bay of Bengal as an Indian strategic space along with its twin, the South China Sea; both being linked by the Malacca Straits. Military minds understand such implications and their remedies – provided they’re consulted. We aren’t.

The Nehruvian model of distrust of the Services has proved unjustified given the well-established, selfless nation-first attitude of the military. It needs repositioning as an indispensable part of Governance and Modi *Sarkar* has, in this sphere made promises whose compliance will majorly boost Services morale. Linked to morale are two more issues: firstly, fair promotion/headhunting policies for the military as per the recent Armed Forces Tribunal (AFT) ruling against discriminatory Army promotion policy. The government’s appeal against this ruling to the Supreme Court has hurt military sensibilities. Secondly, the song and dance about One Rank One Pension (OROP) must be terminated soonest. In sum, the government has made a beginning which has so far delivered far lesser than was promised. The few areas of progress however indicate that cynicism is not warranted; only infectious optimism that the Modi government will deliver on defence related issues for national good and set the defence forces ‘mood’ right better than Moody’s can set India’s mood right with its acceptance of *achchhe din* for India.



ONE YEAR OF MODI'S FOREIGN POLICY

All in all, Modi's one year at the helm of India's foreign policy has been very productive. Even as Modi has been making his overall interest in forging stronger ties with China clear, he has not shied away from allusions to Chinese expansionism. In Pakistan's case, Modi's sure hand has faltered and we have had flip-flops of policy. India has become more affirmative in its statements about the situation in the Western Pacific and the commonalities of interests between India and the US and other countries in the Indo-Pacific region.

When he took over Prime Minister Modi was seen as someone extremely well-grounded in domestic politics but a novice in foreign policy. He has since surprised observers with his conduct of India's external relations, his initiatives, the confidence he has exhibited and the rapport he has established with key world leaders. He has certainly raised India's foreign policy profile internationally, but especially with neighbours, big powers and those countries important for the growth of critical sectors of our economy such as Japan, Australia and Canada.

He began by reaching out to the neighbours in an unprecedented manner. Bhutan was the first country he visited after assuming charge. He then made a very successful visit to Nepal with the hope of changing the dynamic of our relations with this country that we have found difficult to manage. He emphasised SAARC in his foreign policy vision, inviting all SAARC leaders to his swearing-in ceremony in an unprecedented initiative. At the Kathmandu SAARC Summit in November 2014, he encouraged neighbours to benefit from opportunities provided by India's growth. He

was imaginative in announcing India's readiness to develop a satellite specifically for the region by 2016. He warned at the Kathmandu Summit that regional integration will proceed with all or without some, with no doubt Pakistan in mind.

He was quick to court China, with a view to strengthening economic ties with it. His unprecedented personal gesture to the Chinese President when he visited India in September 2014 is a hallmark of Modi's political style. During the visit, the two sides recognised that their development goals are interlinked and agreed to make this developmental partnership a core component of their Strategic and Cooperative Partnership. The Chinese President announced the establishment of two industrial parks in India and the 'endeavour to realise' an investment of US\$ 20 billion in the next five years in various industrial and infrastructure development projects in India, including in the railways sector. The Modi government has agreed to continue defence contacts, explore possibilities of civilian nuclear cooperation, besides holding the first round of the maritime cooperation dialogue this year. All this was essentially pursuing the UPA government's policy of increasingly engaging China.

Chinese Duplicity

The serious border incident in Ladakh coinciding with Xi's visit indicated the continuation of China's double game of reaching out to India and staging a provocation at the time of a high-level visit. Modi creditably raised the border issue frontally with Xi Jinping at their joint press conference, expressing 'our serious concern over repeated incidents along the border'. He rightly called for resuming the stalled process of clarifying the Line of Actual Control (LAC). This was a refreshing change from the past in terms of a more open expression of India's concerns. With regard to Bangladesh-China-India-Myanmar Economic Corridor that China is pushing hard, Modi was rightly cautious. He also did not back another pet proposal of Xi: the Maritime Silk Road, which is a re-packaged version of the notorious 'string of pearls' strategy.

Even as Modi has been making his overall interest in forging stronger ties with China clear, he has not shied away from allusions to Chinese expansionism, not only on Indian soil but also during his visit to Japan. During her visit to Beijing in January 2015, Foreign Minister Sushma Swaraj pushed for an early resolution of the border issue and, turning the Chinese formulation on its head, she called for leaving a resolved border issue for future generations. That China has no such intention was made clear by the vehemence of its reaction to Modi's visit to Arunachal Pradesh in February 2015 to inaugurate two development projects on the anniversary of the state's formation in 1987. This intemperate Chinese reaction has implications for Modi's planned visit to China in May. The 18th round of talks between the Special Representatives (SRs) on the boundary question has, unsurprisingly, taken place without any significant result.

Indian Ocean Initiative

Prime Minister Modi's visit to Seychelles, Mauritius and Sri Lanka in March this year signified heightened attention to our critical interests in the Indian Ocean area. Modi was the first Indian Prime Minister to visit Seychelles in 34 years, which speaks for our neglect of the Indian Ocean area at high political level. During his visit Modi focused on maritime security by signing a pact on a Coastal Surveillance Radar Project and announcing the supply of another *Dornier* aircraft.

In Mauritius, Modi signed an agreement on the development of Agalega Islands and also attended the commissioning of the *Barracuda*, a 1,300 tonne Indian-built patrol vessel ship for the country's National Coast Guard, with more such vessels to follow. According to Sushma Swaraj, Modi's visit to Seychelles and Mauritius was intended to integrate these two countries in our trilateral maritime cooperation with Sri Lanka and Maldives.

Flip-flop Over Pakistan

In Pakistan's case, Modi's sure hand has faltered and we have had flip-flops of policy. Modi announced Foreign Secretary-level talks with Pakistan when Nawaz Sharif visited Delhi for the swearing-in ceremony, without any

action by Pakistan on the jihadi front. The talks were cancelled at the last minute because of the Pakistani High Commissioner's untimely meeting with the Hurriyat leaders in Delhi. Modi ordered a robust response to Pakistani LoC ceasefire violations, which suggested less tolerance of Pakistan's provocative conduct. We have also been stating that talks and terrorism cannot go together. Yet, the government sent the Foreign Secretary to Islamabad on a so-called 'SAARC Yatra'. This has been followed by the mastermind of the Mumbai attack, Lakhvi, being released by a Pakistani court and the provocative statements by the Pakistani Foreign Office on recent demonstrations by pro-Pakistani separatists in Srinagar, left without response from our side. Surprisingly, in an internal political document involving the BJP and the PDP in J&K, we agreed to include a reference to engaging Pakistan in a dialogue, as part of a common minimum programme! The briefing statements made at Islamabad after FS-level talks not only indicate no change in Pakistan's entrenched positions;

its Foreign Secretary has made the agenda more contentious by raising not only the Kashmir cause, but also Indian involvement in Balochistan and FATA. President Obama's successful visit to India threw Pakistan into tantrums. Nawaz Sharif's Foreign Policy Adviser, Sartaj Aziz, excelled himself in making hostile statements against India after the visit. He objected to US support for India's permanent seat in the UNSC and to its membership of the Nuclear Suppliers Group (NSG). He castigated the Indo-US nuclear deal, projecting it as directed against Pakistan. How we are going to close the huge gulf in our respective positions and 'find common ground and narrow differences' in further rounds of dialogue is not clear and requires clearer policy decisions by Modi.

Sino-Pak-Western Collusion

Chinese President Xi's recent visit to Pakistan risks to entrench Pakistan in all its negative attitudes towards India. The huge investments China intends making through Pakistan-occupied Kashmir constitutes a major security threat to India. China is giving sustenance to a militarily dominated, terrorist infested, jihadi riven country, marked by sectarian conflict and fast expanding its nuclear arsenal, including development of tactical nuclear weapons without much reaction from the West. The West's support for accommodating the Taliban in Afghanistan also



**Amb
Dr Kanwal Sibal**

The writer joined the Indian Foreign Service in 1966. He reached the highest position in the Indian Foreign Service on his appointment as Foreign Secretary to the Government of India from July 2002 to November 2003. He is a member of India's National Security Advisory Board. He is on the Board of Directors of the New York based EastWest Institute and on the Advisory Board of Vivekananda International Foundation. He has received the high distinction of *Grand Officier of the Ordre du Merite* from France.



bolsters Pakistan's negative strategic policies directed at India. We have not yet shown how we are going to address these serious challenges.

India-US Rapprochement

Prime Minister Modi, contrary to expectations, moved rapidly and decisively towards the US on assuming office. He confounded political analysts by putting aside his personal pique at having been denied a visa to visit the US for nine years. The first foreign visit by Modi to be announced was that to the US. Clearly, he believes that strong relations with the US gives India greater strategic space in foreign affairs and that its support is crucial for his developmental plans for India.

There is a strong element of continuity in his US policy and that of the UPA, except his remarkable outreach to the Indian community in the US, which organised an event for him where he was literally treated like a rock star. This has become a pattern in his visits abroad, whether in Australia or Canada. Modi evidently attaches great importance to the Indian diaspora that goes beyond the *Pravasi Bharatiya Divas* that the government organises annually.

The agenda of the relationship with the US defined by Modi includes increasing trade fivefold in the next five years, involving US companies in infrastructure development in India and boosting US investment, offering US companies lead partnership in three smart cities, addressing IPR related issues, inviting US companies to participate in developing India's defence industry, renewing for 10 years more the 2005 Framework for US-India Defence Relations, with defence teams of the two countries directed to 'develop plans' for more ambitious programmes, including enhanced technology partnerships for India's Navy.

Under the Modi government, India has become more affirmative in its statements about the situation in the Western Pacific and the commonalities of interests between India and the US and other countries in the Indo-Pacific region. The government has decided to 'Act East', to strengthen strategic ties with Japan and Australia, as well as Vietnam, conduct more military exercises bilaterally with the US Armed Forces as well as naval exercises trilaterally with Japan. Modi has spoken publicly about greater India-US convergences in the Asia-Pacific region, to the point of calling the US intrinsic to India's Act East and Link West policies, which is a bold formulation in its geopolitical connotations that has never been used before.

Narendra-Barack Conjugation

The unusually strong personal element in Modi's diplomacy towards the US came apparent when during his Washington visit he invited Obama to be the chief guest at our Republic Day on January 26, 2015. Modi and Obama evidently struck a good personal equation, with the earlier alienation supplanted by empathy. Obama made the unprecedented gesture of accompanying Modi

to the Martin Luther King Jr Memorial in Washington during the September 2014 visit.

On the occasion of Obama's January 2015 visit to India, Modi has moved decisively on the nuclear front, as this was the critical diplomatic moment to work for a breakthrough to underline India's commitment to the strategic relationship with the US. 'Breakthrough understandings' on the nuclear liability issue and on administrative arrangements to track US supplied nuclear material or third party material passing through US supplied reactors, were reached. Transferring the subject away from government to company level to eliminate the negative politics surrounding the subject was a welcome development. However, in the area of defence cooperation, only four minor projects were announced under the US Defence Technology and Trade Initiative.

Asia-Pacific Linkage

The US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean region signed during the visit was a major document. Issuing a separate document was intended to highlight the growing strategic convergences between the two countries, with full awareness of how this might be interpreted by some countries, notably China. It affirms the 'importance of safeguarding maritime security and ensuring freedom of navigation and overflight throughout the region, especially in the South China Sea'. This reflected less inhibition on India's part both to pronounce on the subject and do it jointly with the US, irrespective of Chinese sensibilities.

Obama's visit also demonstrated the consolidation of the good personal rapport established between him and Modi. This was underlined when Obama penned a portrait of Modi for the *Time* magazine. This personal rapport should assist in greater White House oversight over the Administration's policies towards India, which experience shows greatly benefits the bilateral relationship.

Unsatisfactory Counter-terror Position

Counter-terrorism is always highlighted as an expanding area of India-US cooperation because of shared threats. The joint statement in Delhi in January 2015 spoke dramatically of making the US-India partnership in this area a 'defining' relationship for the 21st century. The continued omission of the Afghan Taliban from the list of entities India and the US will work against is disquieting; as it indicates US determination to engage the Taliban, even when it knows that it is Pakistan's only instrument to exert influence on developments in Afghanistan at India's cost.

Obama's objectionable lecture to us at Siri Fort Auditorium on religious freedom and his pointed reference to *Article 25* of our Constitution was unfortunate. On return to Washington he pursued his offensive line of exaggerating incidents of religious intolerance in India. Obama's claim that the US can

be India's 'best partner' remains to be tested as many contradictions in US policy towards India still exist.

Russia-India-US Conundrum

Modi managed to reaffirm the importance India gives to India-Russia ties during President Putin's visit in December to India. This was needed because of the perceived stagnation in India-Russia ties, improving India-US ties and a sharp deterioration in US-Russia relations. Modi was effusive about our Russia relationship during Putin's visit, underlining that Russia has been a "pillar of strength for India's development, security and international relations", that we have a "friendship of unmatched mutual confidence, trust and goodwill" and a "Strategic Partnership that is incomparable in content". To allay some concerns he has affirmed pointedly that changes in international relations will not affect "the importance of this relationship and its unique place in India's foreign policy".

Business As Usual With Russia

In defence supplies, with Russia riled at losing out in competitive bidding in some recent cases, Modi conveyed the important message that even as India's options for defence cooperation have increased today, "Russia will remain our most important defence partner". While discussing many new defence projects with Putin, Modi has asked for alignment of India-Russia defence relations with 'India's own priorities, including Make in India'.

Russia's offer 'to fully manufacture in India one of its most advanced helicopters', which Modi has said will be pursued quickly, would suggest that the project for light utility helicopters that India badly needs to replace the French-licensed *Cheetah* and *Chetak* helicopters could, after two failed tenders, be now awarded to Russia.

Russia has already an edge over other contenders with regard to civilian nuclear cooperation with India, which it wants to conserve. It has been agreed that Russia will build 'at least' 10 more reactors in India beyond the existing two at Kudankulam, with the important proviso of manufacture of equipment and components in India, joint extraction of natural uranium and production of nuclear fuel.

Modi was right to flag our disappointment at India-Russia collaboration in the hydrocarbon sector, despite Russia being a top producer of hydrocarbons and India a top importer. The outlook has improved with an agreement that envisages joint exploration and production of hydrocarbons in the Russian Arctic shelf and long-term LNG supplies. To Modi's credit, Putin declared that he was highly satisfied with the result of his visit. With inopportune US statements before and after Putin's visit cautioning against it, for India it has been 'business as usual' with Russia.

Japanese Connect

Again, following the UPA policy, Modi has bolstered relations with Japan, while establishing a good

personal relationship with Shinzo Abe. During his visit to Japan in September 2014 Abe announced US\$ 35 billion of public and private investment in India. Japan is in good position to advance Modi's Make in India agenda and help set-up manufacturing facilities in India. Japan has the money, technology and political interest that gives it a unique position as India's partner. Japan is looking at India with renewed interest as a partner, as India is the only country in a position to balance China in Asia.

Japan is keen to sell its *US-2* amphibian rescue aircraft as a start in defence related cooperation. During Modi's visit it was agreed to upgrade defence relations and a Memorandum of Defence Cooperation and Exchanges was signed. It was also decided to have regular bilateral maritime exercises and India-US-Japan Malabar naval exercises. On the nuclear side, Japan is not ready to sign an agreement with India, which remains a negative element in our relations. Japan's cooperation for enhanced connectivity and development in Northeast India and linking the region to other economic corridors in India and to Southeast Asia is important.

European Reconnect

Modi's visit to France and Germany was overdue to remove the impression that Europe has today slipped lower in India's foreign policy priorities. Modi has done well to give fresh legs to the wobbling strategic partnership with France by making sure that his visit there in April produced some tangible results in the key areas of defence and nuclear cooperation. True to form Modi pulled a surprise during the visit by announcing that in view of the critical operational needs of the Air Force he had requested the French President for a quick supply of 36 *Rafale* jets in flyaway condition through an intergovernmental agreement on terms better than demanded by Dassault 'as part of a separate process underway'.

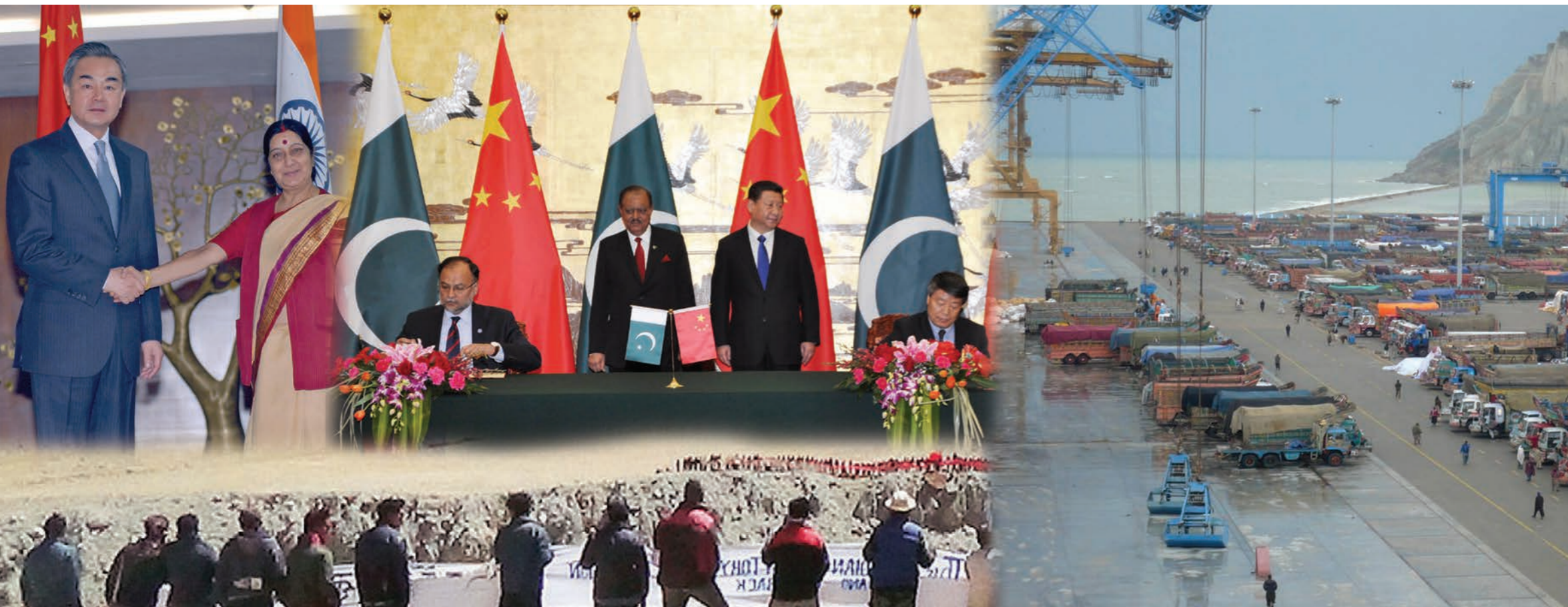
In the other strategic area of cooperation – the nuclear one – Modi's visit has seen positive movement with the signing of the MoU between AREVA and L&T, which was welcomed by Modi as widening the scope of industrial cooperation and creating indigenous capacities in India, besides the conclusion of Pre-engineering studies agreement between AREVA and NPCIL. The objective of the agreement with L&T is to manufacture more reactor equipment in India so as to bring down costs and make the project economically viable in terms of cost of electricity produced.

Modi's bilateral visit to Canada was the first by an Indian PM in 45 years. The two countries have decided to elevate their bilateral relations to a strategic partnership. The most important agreement to be signed was that between the Indian Department of Atomic Energy and Cameco of Canada for long-term supply of uranium to India to meet its energy needs. Canada will sell 3,220 metric tonne of uranium to India over 5 years in a US\$ 350 million deal.

All in all, Modi's one year at the helm of India's foreign policy has been very productive.

The
intemperate
Chinese reaction
has implications
for Modi's planned
visit to China
in May

Obama's
claim that
the US can
be India's 'best
partner' remains
to be
tested



ONE YEAR OF MODI GOVERNMENT NATIONAL SECURITY THREATS AND CHALLENGES

A key test of the Modi Government will be its ability to get the bureaucracy to shed its lethargy and operationalise these joint ventures within the next couple of years. Failure to do so in this time frame will severely hamper job creation, dent the government's credibility and impact adversely on other strategic initiatives taken by the Prime Minister over the past year. The diplomatic heft that India has suddenly acquired will also quickly evaporate.

Reflective of their mood for change, the people of India granted the new BJP-led government well over the usual 100-days honeymoon period. With the passage of a year, it is now time to review the government's achievements. Admittedly foreign policy objectives take time to achieve and it is axiomatic that a nation's strategic ambitions are closely intertwined with domestic developments and economic progress, but markers of progress should by now be clearly discernible.

Contrary to what was anticipated in some quarters, Prime Minister Narendra Modi's BJP-led government injected energy into India's foreign policy by demonstrating unexpected dexterity and making some deft moves in quick succession. These indicated India's new foreign policy orientation. Within months it was clear that the central pillar of Modi's foreign policy will be to accord priority to India's neighbourhood and strive to ensure friendly neighbours. At the same time it was implied that there would be no compromise on issues of national security. The new Prime Minister's swearing-in ceremony in May 2014, in fact, defined

the contours of the new government's policy for India's neighbourhood and outlined the geographic perimeters of India's area of immediate strategic interest.

Fresh Initiative

The swearing-in ceremony on May 26, immediately telegraphed a number of messages. It clarified that the new Prime Minister will take direct, active interest in foreign policy issues and would readily engage and communicate directly with world leaders. The initiative also addressed the economic agenda and sent out a strong signal that India, as the largest country with one of the fastest growing economies in the region, is eager to tap existing economic potential, including by assisting in the development of its neighbours. Accordingly, during his visits within the first few months, Prime Minister Modi offered India's neighbours an opportunity to forge closer, cooperative partnerships with it, join in India's growth and benefit from the enhanced economic opportunities anticipated to flow from India's growth and rise. The resounding popular mandate received by the BJP and not seen in the past 30 years, additionally strengthened Modi's ability to take bolder and new initiatives. It opened the possibility that many relationships will be examined afresh, possibly breaking new ground.

PM Sharif's remark that the Foreign Secretary was sent because of Obama's pressure, shows that Pakistan has no intention of changing its policies towards India

The initial moves have been followed by other deliberate policy initiatives. These include marking out India's area of maritime interest in the Indian Ocean. Modi's overtures to the US have also helped to try and dispel the usual ambiguity towards Washington by now indicating a clear tilt.



Jayadeva Ranade

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Benchmarks

The litmus test of success for the foreign policy moves initiated by the Modi government will be the achievements in substantively recalibrating the relationships with the US, Pakistan and the People's Republic of China (PRC). In India's immediate neighbourhood, where it has numerous uncompleted infrastructure projects, India requires to ensure their completion in a time-bound manner. Failure to do so will imply inability to fulfill intent.

US President Obama's visit to India in January 2015, was high in symbolism and substance. It was the first time that a US President was the Chief Guest at India's Republic Day celebrations and the first time that a US President had two summit meetings with an individual foreign leader in such a short span of time. Their exchange of tweets, bypassing their respective bureaucracies, confirmed that the two had established a fair degree of rapport. Importantly, occurrence of the visit so early in Modi's term underscores the determination of both countries to enhance and upgrade the relationship and gives them the time to do so.

Indo-US Vision Statement

There was forward movement on substantive issues as evident in the unusually lengthy 59-point strategic Indo-US vision statement, in turn reinforced by the remarks of the two leaders that interspersed the 3-day visit and underlined areas of convergence. Crucial is the agreement on the four pathfinder defence-related technology projects – especially the co-development and co-production of the strategically significant aircraft carrier technology and jet aircraft engines. While these mesh neatly with Modi's 'Make in India' concept, they are of direct relevance to Indian industry and the upgradation of their technological base. A number of major and medium-sized Indian companies, joint ventures and MNCs have already lined up to tap the potential of this sector. Early enunciation of policies and regulations governing these will

trigger much needed economic activity which will include manufacturing units. A key test of the Modi government will be its ability to get the bureaucracy to shed its lethargy and operationalise these joint ventures within the next couple of years. Failure to do so in this time-frame will severely hamper job creation, dent the government's credibility and impact adversely on other strategic initiatives taken by the Prime Minister over the past year. The diplomatic heft that India has suddenly acquired will quickly evaporate.

Pakistan Factor

Pakistan is the other relationship which poses a foreign policy and security challenge to Modi and his government. Despite the terrorist attack on the Indian Consulate in Herat in southern Afghanistan on the eve of Modi's swearing-in ceremony intended to 'test' the fledgling Modi government and confirmation on Indian national TV by Afghan President Karzai, Modi went ahead and had a 50-minute meeting with Pakistan Prime Minister Nawaz Sharif. He did, however, spell out certain 'red lines' for Nawaz Sharif.

Pakistan's failure to adhere to the 'red lines', exemplified by the Pakistan High Commissioner's meeting with so-called 'leaders' of the Hurriyat, resulted in the suspension in mid-August of Foreign Secretary-level contacts. The decision clarified that the Modi government had decided to rectify the inconsistencies allowed to creep in earlier and restrict discussions on Kashmir only to India and Pakistan. Following Obama's visit, however, Indian Foreign Secretary was dispatched on a 'SAARC Yatra' which took him to Islamabad.

Whether this is the Modi government's first misstep will be known soon. Pakistan's initial responses, including PM Sharif's remark that the Foreign Secretary was sent because of Obama's pressure, show that it has no intention of changing its policies towards India including of carrying on the proxy war. Around the time of the Foreign Secretary's visit Pakistan test-fired the *Shaheen III* long-range missile and activated the separatist 'Hurriyat' and other separatist elements in Kashmir while instructing its High Commissioner to again meet members of the 'Hurriyat'. The Modi government's decision to send a Minister of State and that too a former Chief of Army Staff – General VK Singh – could haunt it for long. It additionally suggests there could be inconsistencies in the policy enunciated by it last August and this will be a test for it.

China's Arunachal Fixation

Things are somewhat different with China which has chosen to be more circumspect in its responses. Serious areas of differences remain outstanding between India and China. China has not withdrawn its territorial claims on Jammu and Kashmir

and Arunachal Pradesh and persists in issuing 'paper' visas to residents of these states. Chinese maps depict these states as part of China. It also continues to pressurise international financial and developmental organisations like the Asian Development Bank and World Bank not to give developmental assistance to projects in Arunachal Pradesh and not mention either of these states by name in their reports.


In addition, China remains present in Pakistan's northern areas and the areas of Gilgit and Baltistan in Pakistan occupied Kashmir (PoK). It has ongoing infrastructure and developmental activities in these areas and reports confirm the presence of Chinese PLA troops and engineers in this region.

There are hints of forward movement in at least the area of curbing intrusions. Following India's firm military response to the intrusion by PLA troops in Chumar in Ladakh in mid-September 2014 and US President Obama's successful visit to India this January, Beijing has opted to hint at some move towards progress on the issue of resolving the 4,057 km disputed border.

Recent suggestions are that Beijing will be willing to discuss identifying a line that troops of both sides should not cross in order to curb intrusions. Progress on the issue of resolution of the disputed border will, however, be slow. China has at the same time sought to put the onus for 'out-of-the-box' and 'innovative' suggestions on India by pointing to Indian External Affairs Minister's remarks while meeting Chinese President Xi Jinping.

Dalai Lama Hurdle

While China will not make any concessions, it should be expected to raise the issue of the Dalai Lama and apply pressure on India on this issue. Beijing's objective is to try and get the Dalai Lama to either return to China or obtain an assurance that his reincarnation will be found in China. It has already made public some of its overtures to the Dalai Lama. There is a possibility that China will link negotiations on the border issue, at least with regard to the eastern sector comprising Arunachal Pradesh, to the matter of the Dalai Lama. China had, incidentally, asserted in 2005 that its claim on Arunachal Pradesh and specifically Tawang was prompted by the need to satisfy the sentiments of the Tibetan people.

On balance, the Modi government has been successful in indicating the future course of India's foreign policy. Its strategic moves have given India long desired, though still potentially transient, heft in international affairs and hold out the possibility of strengthening economic growth. The Achilles heel for the government, however, will be its ability to operationalise co-development, co-production and other economic opportunities that will make Indo-US ties enduring and make for a more amenable China. 

Beijing's objective is to try and get the Dalai Lama to either return to China or obtain an assurance that his reincarnation will be found in China

**REMOVING ROADBLOCKS
TWO SUMMITS AND AN AGREEMENT**

President Obama's reference to a 'breakthrough understanding' on the implementation of the India-US Agreement on Civil Nuclear Cooperation assumes a particular significance, in the context of the evolution of India-US relations. The decades of mistrust between both establishments may have seen a substantial reduction in the intensity and the groundwork for further efforts to promote cooperation appears to have been laid.



The nuclear issue has been, over the years, both a continuous irritant in and a defining symbol of the state of India-US relations. The focus on the resolution of the problems that had arisen in the implementation of the historic India-US Civil Nuclear Agreement of 2005, in spite of the extravagant media coverage and the apparent more than cordial interactions between President Obama and Prime Minister Modi during the former's recent visit to Delhi as Chief Guest at India's Republic Day celebrations, underlined this central significance of the issue and obscured what was a shift in the quality of the relations between the two countries. To more clearly appreciate this centrality, it is necessary to revisit the evolution of discussions and approaches to this issue by both countries. This is not to underestimate the importance of other geopolitical areas in which India and the US had differences, but these differences narrowed as circumstances changed, with little residuary impact.

Divisive Nuclear Issue

It was the nuclear issue that has had a more lasting effect on the approaches and mindsets in both

establishments, especially since India refused to accede to the US-USSR drafted NPT and then proceeded to carry out a nuclear test experiment in 1974. This was followed by the imposition of sanctions against India and the setting up of what eventually became the Nuclear Suppliers Group. This Group, led by the US, denied India access to not only nuclear equipment and technology, but access to most other kinds of high technology, on the grounds that they were 'dual use' and could, therefore, be used in India's nuclear programme. These sanctions stayed in place for the next thirty years with additional sanctions added after India's 1998 Pokhran weapon tests. The turning point in India-US relations came only in the years 2005-2008, when all sanctions were lifted, though the bilateral agreement between the two countries faced roadblocks on the road to implementation of the agreement, not only because of the nuclear liability bill passed by the Indian Parliament in 2010, but administrative



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obstacles, mainly from the US side, which remained to be resolved. It is the *kind* of problems that arose and their origins that leads one to the conclusion that while over the years, at the political level, there was the desire to further relations by implementing the Agreement at an early date, the distrust between the two establishments needed to be overcome. It is the argument of this article, that this distrust permeated all sectors of bilateral relations, particularly the strategic and security sectors. A review of the development of this distrust over the years may be helpful in validating this point.

Refusal To Sign NPT

As mentioned above, the origins may be traced to India's arguments during the negotiation of the Nuclear Non-Proliferation Treaty (NPT) in the late 60s and early 70s of the last century and India's ultimate refusal to sign it. That Treaty had been crafted by the two super powers of the time, despite Cold War rivalries, in shifting the negotiations away from the mandate of the General Assembly of the UN, to achieve an objective that met their specific security requirements, as recognised by some US scholars. Following this refusal and after the introduction of the nuclear capable *USS Enterprise* into the Bay of Bengal during the 71 Bangladesh War, India conducted a nuclear test in 1974. Though India did not violate any law and other countries recognised by the NPT had conducted what were defined as 'peaceful nuclear experiments', a process was started by the US, firstly to make 'non-proliferation' one of the key objectives of its foreign policy and imposed sanctions on India and secondly to set up a group of countries that would control the export of nuclear equipment and technologies which eventually became the Nuclear Suppliers Group (NSG) and persuading the other members of the group to impose what in effect were global sanctions against India. The declared US objective was 'to cap, roll back and eliminate' India's nuclear programme.

I am not aware of any research that may have been done on the actual impact of sanctions both on the 'imposing' country and on the 'sanctioned' state. However, it is clear that, in the US, an entire network of rules and regulations was constructed to detect and prevent any prohibited or restricted sales from any source to India. In addition, a powerful lobby of NGOs and think tanks, convinced that India was, at best an 'outlier' or a 'naysayer' and at worst a clandestine nuclear proliferator, set out to pursue this objective of US policy, monitoring not only their own Government's implementation of the sanctions, but of developments in India and the evolution of her nuclear and other related programmes such as defence research, space etc. On the Indian side, the postcolonial influence and the policy of non-alignment between the two power blocs of the then raging

Cold War, the influence of left leaning politics domestically, but above all, the reaction to what India perceived were unjustified sanctions and the US muscular pursuit of its non-proliferation objective, imbued a strong negative perception and a distrust of the US, particularly in the scientific, military, security and diplomatic establishments. These approaches still influence both sides, even while global circumstances changed – the Soviet Union imploded, China rose and India's growth rates showed an uptick with the liberalisation of the Indian economy in 1991.

Engraved Mindsets

Indian Governments, over the years, recognising the commonalities in value systems between India and the US and more so after the establishment of the pre-eminence of the US following the eclipse of the USSR, have tried to find some common ground with US Governments and have been stalled in their quest primarily by the mindsets in both establishments. This was certainly true after 1998, when Prime Minister Vajpayee declared (after the strong reaction of the US to the tests and additional sanctions on India) that the two countries were 'natural allies', a claim greeted

with some skepticism in both countries. Then, in 2004, the architect of the liberalisation of the Indian economy declared in an ignored speech to DRDO in March, that while India was poor in natural resources it was rich in human intelligence and therefore the future lay in building a knowledge-based economy. To achieve this goal, it was imperative that the global 'technology denial regimes' existing against India needed to be breached. In the US, too, the strategic importance of India with its growing market appeared, perhaps for the first time, as an asset to be cultivated to

possibly balance the challenges thrown up by rising China. It is both significant and illustrative that the means of achieving both objectives was the India-US Civil Nuclear Agreement, negotiated painfully over several years – the pain chiefly from the in-built and deep distrust in both establishments – till in 2008, when there was not only a bilateral Agreement but a waiver of the global sanctions against India. By tackling possibly the most difficult area where deep-seated hostilities existed, a foundation was laid to at least raise comfort levels in mutual discourse and interaction. Unfortunately and in part reflecting the mindsets referred to above, the US Congress adopted the Hyde Act and the Indian Parliament the so-called Nuclear Liability law. Both had the effect of dampening the initial trend towards greater mutual confidence.

The early years of the Obama Administration saw the revival of the non-proliferation lobby referred to above, both without and within the establishment. This period saw the inflating of disagreements on issues ranging from trade from the US side to reserve in defence cooperation from the Indian Government's. The focal point of the disenchantment



and the conversion of what was to have been a strategic partnership to a transactional one was the non-implementation of the Civil Nuclear Agreement of 2008. The new Indian Prime Minister resumed the earlier efforts towards a more mutually beneficial relationship between the two countries and arranged, with aplomb, not one, but two Summits between India and the US, the second honouring the US President – and therefore, recognising the importance of his country, by inviting him as the Chief Guest at this year's Republic Day celebrations.

Both leaders appeared to have agreed that it was essential for the governmental roadblocks between both countries to be removed, if they were to reenergise the bilateral relationship. The issues that needed resolution were, as has been pointed out above, ones which arose out of the mistrust that existed in their respective establishments. On the one hand, the US had insisted, that as a part of the implementation of the bilateral 123 Agreement of civil nuclear cooperation, they, the US, be given the right to conduct inspections additional to the ones to be conducted by the IAEA after India placed the majority of her nuclear facilities under IAEA safeguards. It appears that 'an understanding was reached' on this issue. Though the details of the 'understanding' have not been made public, it can be safely assumed that the US desire for additional inspections will be met in cooperation with the IAEA. The issues relating to the liability law were complicated by the fact that the law had come into being as much for political and ideological reasons as concern for possible victims of any accident, recalling shades of the Bhopal gas tragedy. In addition, the party in Government today had been among those who had tightened the drafting of the law, making common cause with the ideologically opposed left parties.

Logjam Broken


There were two main issues involved: the concern of suppliers, both Indian and foreign (mainly US) that the operator could, according to the law, have recourse to passing on the liability to suppliers, which was against the international Convention on Supplementary Compensation for Nuclear Damage

(CSC). According to the information made public by the Indian Government, "The idea of the India Nuclear Insurance Pool as a part of the overall risk-management scheme for liability was (also) presented to the US side and there was a general understanding that India's Civil Liability for Nuclear Damage (CLND) law is compatible with the CSC, which India has signed and intends to ratify". The other issue related to the US interpretation of Section 46 of the CLND Act that claims for compensation for nuclear damage could be open to litigation in Indian courts

under other Indian laws. This interpretation has been roundly rejected by India, which has declared "The CLND Act channels all legal liability for nuclear damage exclusively to the operator and Section 46 does not provide a basis for bringing claims for compensation for nuclear damage under other Acts." The Government of India has been at pains to clarify to the public the background to the discussions and the 'understandings' reached in a question/answer form which is widely available. It would appear that the obstacles at the Governmental level have been cleared and the commercial negotiations between the parties interested could now commence.

Opening Doors

Apart from taking a step forward in India's search for clean energy and the US search for a market for nuclear reactors, the understandings arrived at have opened the doors to closer cooperation in other sectors, including the defence and strategic sectors as well. India's access to high technology from most sources of such technology have been enabled and the US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean would perhaps not have been possible without these understandings.

President Obama's reference to a 'breakthrough understanding' on the implementation of the India-US Agreement on Civil Nuclear Cooperation thus assumes a particular significance in the context of the evolution of India-US relations. The decades of mistrust between both establishments may have seen a substantial reduction in the intensity and the groundwork for further efforts to promote cooperation appears to have been laid. 

This distrust permeated all sectors of bilateral relations, particularly the strategic and security sectors

Obama's reference to a 'breakthrough understanding' on the implementation of the India-US Agreement on Civil Nuclear Cooperation assumes significance



INDIA'S NUCLEAR POLICY PAST, PRESENT AND FUTURE

India has been maintaining that there should be an expressive and organic link between non-proliferation and nuclear disarmament. Non-proliferation could be a step towards achieving nuclear disarmament. Nehru's idea of a 'standstill agreement' made on April 2, 1954 is globally acknowledged as the predecessor of the 1996 Comprehensive Test Ban Treaty (CTBT). However, India was forced to block the passage of the CTBT because of draft treaty's problems, including the absence of a time-bound nuclear disarmament plan.

Ever since India's independence, the Indian nuclear policy has been resolving multiple policy dilemmas. When India became independent, the Indian leadership had the problem of dealing with the question of nuclear science which had military and civilian applications both. Nuclear science was promising a lot. At the same time, the nuking of the two Japanese cities was extremely scary. The bombings of the two Japanese cities – Hiroshima and Nagasaki – had received a negative reaction from the Indian leadership. However, around the time of independence, the existence of the nuclear weapon had become a sad reality.

Internal Debate

Mahatma Gandhi wrote in the *Harijan* on July 7, 1946: "That atomic energy though harnessed by American scientists and army men for destructive purposes may be utilised by other scientists for humanitarian purposes is undoubtedly within the realm of possibility." India's first Prime Minister, Jawaharlal Nehru echoed the same in the Lok Sabha

on May 10, 1954: "Quantum Theory and, later on, Albert Einstein's Theory of Relativity changed the whole conception of the universe. Soon came the atom bomb with its power to kill ... Let us consider the possible issues. It is perfectly clear that atomic energy can be used for peaceful purposes, to the immense advantage of humanity. It may take some years before it can be used more or less economically. I should like the House to remember that the use of atomic energy for peaceful purposes is far more important for a country like India whose power resources are limited, than for a country like France, an industrially advanced country."

Restrictive Cartels

India has really evolved its nuclear policy. The Indian policy making community was under the pressure to respond to nuclear developments after the Hiroshima and Nagasaki bombings. On the one hand, one country after another country was announcing its nuclear weapons tests. Some countries developed nuclear weapons even without announcements and tests. The clandestine nuclear weapons acquisition kept

making headlines. On the other hand, the developing world struggled to develop civil nuclear energy. The suppliers' cartels and the treaties looked less interested in stemming proliferation than smothering the nuclear energy expansion in new countries.

India understood the importance of nuclear disarmament. The Indian leadership and the strategic community from the very beginning have underscored that India is safer and more secure in a world without nuclear weapons. To secure its citizens, India may have gone nuclear in 1998 as there was no sign of the elimination of nuclear weapons in the world. However, even the nuclear India has not compromised on the need for nuclear disarmament. Just after the 1998 nuclear tests, the then Prime Minister who has recently been conferred *Bharat Ratna* announced that India would continue to work for nuclear disarmament. The Indian Government kept campaigning for nuclear disarmament in all the appropriate forums.

Complete And Universal Disarmament

But India is also not in favour of unilateral or regional nuclear disarmament. India has not signed the Nuclear Non-Proliferation Treaty (NPT). Of many problematic provisions, India objects to the treaty because it will legitimise nuclear weapons of only five nuclear weapons countries and make illegal nuclear weapons of other countries. The NPT designates only those countries which tested nuclear weapons before January 1, 1967 as 'Nuclear Weapons States'. All others are treated as 'Non-nuclear Weapons States' under the NPT. Non-nuclear Weapons States have to bear all the discriminatory obligations.

India also opposes the idea of South Asian Nuclear Weapons Free Zone. In fact, overwhelmingly, in India, even the South Asian nuclear discourse is considered faulty and wrong. However, India leaves out a country that wants to renounce its nuclear weapons unilaterally or under some regional nuclear weapons free zone agreement.

The overall policy framework may remain the same, but the emphasis may change

From Non-proliferation To Disarmament

India has been maintaining that there should be an expressive and organic link between non-proliferation and nuclear disarmament. It maintains that non-proliferation without nuclear disarmament has no meaning. Non-proliferation could be a step towards achieving nuclear disarmament. Keeping this link in mind, Indian policy makers have been supporting leading non-proliferation initiatives. Nehru's idea of a 'standstill agreement' made on April 2, 1954 is globally acknowledged as the predecessor of the 1996 Comprehensive Test Ban Treaty (CTBT). However, India was forced to block the passage of the CTBT because of draft treaty's problems, including the absence of a time-bound nuclear disarmament plan.

India advocated halting of fissile materials production during the Cold War and is currently, supporting

negotiations for a Fissile Materials Cut-Off Treaty (FMCT) in the Conference on Disarmament. Pakistan's unreasonable demands are creating problems for FMCT negotiations. And India is unwilling to stop fissile material production without FMCT. India has started a positive engagement with many of the non-proliferation initiatives like export controls, which it had earlier objected to.

Pre-empting N-terrorism

Closely associated with non-proliferation is the issue of nuclear terrorism which may become a reality if non-state actors succeed in exploiting the existing gap in the global nuclear regime and the supply chain. India has been a victim of terrorism for several decades, but till very recently, it was considered a subject matter of Western universities, think tanks and policy community. After the September 11, 2001 incidents and more so, after the 2003-2004 revelation of the Pakistan-led proliferation network, India has joined the international community in recognising the gravity of the problem. India has ratified both the international treaties – the Convention on the Physical Protection of Nuclear Material along with its amendment and the International Convention for the Suppression of Acts of Nuclear Terrorism along with the IAEA Code of Conduct for nuclear safety and security. India has attended all the three Nuclear Security Summits. It is going to promote efforts through all the mechanisms, including Global Centre for Nuclear Energy Partnership.

Not In Arms Race

India is opposed to nuclear arms race. India spoke against nuclear arms race between the two rival camps during the Cold War. During the Cold War, India welcomed arms control agreements but it maintained that achieving the goal of nuclear disarmament should be the ultimate policy of both the blocs. India is still continuing its policy against nuclear arms race.

India has made it clear on a number of occasions that it is not into arms race with any country, though the Pakistani Government and its Western non-proliferation associates always try to project a kind of arms race in the region. India also does not seem to be interested in catching up with its old nuclear neighbour which has been accumulating and modernising its nuclear arsenals for decades. India seems to have an understanding of its security needs and wants to develop nuclear weapons systems to this



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understanding. As a nuclear weapons country, it has a policy of credible minimum deterrence.

The Indian nuclear weapons policy, enunciated in its nuclear doctrine, is basically non-offensive or defensive in nature. Apart from credible minimum deterrence India believes in no-first use relying basically on the second-strike capability. Unlike China, India has been very consistent in its no-first-use policy. It also has a clearly stated policy and a doctrine of no use of nuclear weapons against non-nuclear weapons countries. It exercises civilian control over nuclear weapons. Its two-tiered structure has been designed to ensure that the command and control structure remains intact in peace as in war. It has signed nuclear risk reduction arrangements with Pakistan as well.

However, as mentioned, India's nuclear policy has emerged out of the dilemma of use of nuclear science. India was forced to develop nuclear weapons but from the very beginning, it has been underscoring the potential of civil nuclear energy. Before India developed nuclear weapons, India had solely focused on the development of civil nuclear energy. For the purpose, it had signed nuclear agreements with a few leading nuclear countries. It is pursuing the civil nuclear energy policy even after going nuclear and the most highlighted aspect of its policy was India-United States civil nuclear energy initiative. It worked with the international community to get the exemptions in the guidelines of the Nuclear Suppliers Group (NSG). It believes in balancing civil nuclear energy needs and security safeguards in the NSG.

India may retain the non-offensive framework of its nuclear doctrine and policy

Future Of Nuclear Policy

The decades of the operation of India's nuclear policy demonstrates that on the broad contours, there is a consensus in the political class and the strategic community. Admittedly, on nuclear weaponisation, for many decades, the political class and the strategic community were engaged in a prolonged debate and after the first few years of the weaponisation, the country reverted to the consensus mode. Even the divisiveness created by the Indo-US nuclear deal has been forgotten. The gap created by the deal seems to have been bridged. The Modi government is basically carrying forward the task left by the Manmohan Singh government. The principle of continuity is establishing itself in India's nuclear governance and policy.

Come the questions: What is going to happen in the future? Is India going to continue its time-tested nuclear policy and approach? By all indications, the present government looks set to continue the old nuclear policy. However, the government cannot ignore or overlook the structural challenges which may come up in the future. The future of India's nuclear policy will very much depend on how it responds to the structural challenges it faces.

Pak-China Guile

India, it seems, will have to continue to confront a section of the non-proliferation lobby and has to assert its clear non-proliferation credentials as a responsible country. Some of the Pakistani associates in the non-proliferation community will try to push some old, outdated and disgraced approaches, thoughts, enterprises, frameworks and treaties. This section that is basically unhappy over the NSG exemptions given to India, has frequently and vigorously been promoting the South Asia nuclear framework to corner India. This false and unlikely construct is basically designed to help China and find an inappropriate solution to the problem emanating from Pakistan.

As India has been adjusting its policy to the nuclear reality of the twentyfirst century world and it is seeking the membership of all the four multilateral export controls regimes, Pakistan-China and the truncated Western non-proliferation nexus is trying to scuttle India's move to join the mainstream non-proliferation bodies. However, considering the resolve of the international community and the willingness of India to contribute to international stability, the possibility of India's joining the regimes looks high. This may witness a new direction in the policy. The overall policy framework may remain the same, but the emphasis may change. This emphasis may be in accordance with the global nuclear reality that is not yet prepared for nuclear disarmament.

The Indian policy may not be abandoning its long-cherished global nuclear disarmament policy, but the emphasis will be on non-proliferation. The idea will be to manage international peace and stability. However, India will be selective in its non-proliferation policy. It will not adopt all and sundry non-proliferation mechanisms devised in Western countries. India may have to resist the demand on the CTBT, FMCT, NPT, Proliferation Security Initiative and so on. It may support a mechanism which is useful to India and international community both. However, it should negotiate with the dominant powers for entering into the NPT as a nuclear weapon state.

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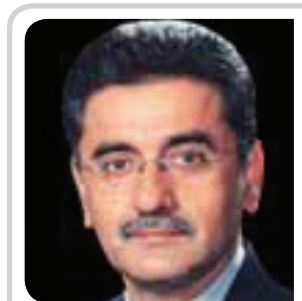
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Continuity And Change

Thus, the challenge before India is to pursue a nuclear policy that is a good blend of continuity and the demand for changes of the twentyfirst century and more importantly, a good blend of its national and international security imperatives. India should not hesitate to change a couple of components of its nuclear policy. In recent months, the Indian strategic community maintains that the current nuclear doctrine is failing to deter the Pakistani blackmail and adventure. India may retain the non-offensive framework of its nuclear doctrine and policy, but it should design it in a way that Pakistan receives the signal that its adventure or blackmailing may not go unpunished. **DA**

INTERNAL SECURITY ONE YEAR OF MODI GOVERNMENT

Bureaucratic inertia appears to be carrying government forward, rather than any positive vision of transformation or even peripheral reform, at least on the internal security spectrum. The clear and powerful vision of India's security futures that Modi had articulated in his electoral campaigns appears to have evaporated under the more pressing expedients of running a government.



Ajai Sahni
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NATGRID

THE USERS

- Directorate of Revenue Intelligence
- Intelligence Bureau
- Research and Analysis Wing
- Directorate of General of Central Excise Intelligence
- Central Bureau of Investigation
- Financial Intelligence Unit
- Central Board of Direct Taxes
- Central Board of Excise & Customs
- Narcotics Control Bureau
- Enforcement Directorate

THE USER AGENCIES CAN SEND REQUESTS TO AND RECEIVE DATE FROM 21 INFORMATION PROVIDING AGENCING

WITH THESE INPUTS AN INVESTIGATOR GETS A 360 DEGREE VIEW OF A TERROR SUSPECT'S PROFILE, MUCH LIKE A PROFILE ON FACEBOOK

NATGRID DATABASE AVAILABLE FOR THE FOLLOWING

- Money Transfer Services
- Internet Service Provider
- Telecom Companies
- Bank Account and Credit Cards
- Immigration Data
- Railway Journeys
- Passport Details
- Driving License

On many of the larger parameters of internal security – terrorism and insurgency linked incidents and fatalities, for instance – there has been dramatic improvement over the past five years and this trend does not appear to have changed very significantly in the one year of Prime Minister Narendra Modi's government. There are exceptions, of course, with a marginal deterioration in Jammu and Kashmir and drastic escalation in Assam. Thus, according to the *South Asia Terrorism Portal*, the country recorded 1,902 terrorism and insurgency related fatalities in 2010, but this number was down to 976 in 2014 (another 149 fatalities have been recorded in the first quarter of 2015). Significantly, however, fatalities fell to 1,073 in 2011 and further, to 803 in 2012; but have, thereafter, risen to 885 in 2013 and 976 in 2014. In J&K, fatalities had dropped to 117 in 2012 – from a peak of 4,507 in 2001 – but have since seen steady escalation, to 181 killed in 2013 and 193 in 2014. The situation in Assam has remained highly variable, with visible declines in fatalities between

2009 and 2012 and then a spike. Indeed, 2014 saw the worst spiral of violence for any theatre in the country, with total fatalities rising from 91 in 2012, to 101 in 2013 and 305 in 2014 (26 persons had been killed in the State in 2015, till March 31). Other States in the troubled North-east have also seen limited variations within broadly stable trends. Left Wing Extremism (LWE), particularly in the 'Red Corridor' States, has seen a remarkable waning of violence since the peak of 1,180 fatalities in 2010, down to 602 in 2011, 367 in 2012, spiking to 421 in 2013 and down, again, at 314 in 2014 (LWE violence has claimed 57 lives in the first quarter of 2015).

No New Direction

The blame for escalation in some of the theatres of chronic conflict cannot be laid at Modi's door; nor, indeed, can credit for improvements in others. What is clear, however, is that the fairly randomised record of his tenure suggests that no dramatic and new direction has yet taken shape under his helmsmanship. Indeed, bureaucratic inertia appears to be carrying government forward, rather than any positive vision

of transformation or even peripheral reform, at least on the internal security spectrum. The clear and powerful vision of India's security futures that Modi had articulated in his electoral campaigns appears to have evaporated under the more pressing expedients of running a government.

Hence the utter and incoherent mess of India's 'Pakistan policy', projecting everything that Modi promised to stand against. It is useful to recall that, just before his election, Prime Minister Modi had questioned the very rationale of talks with Pakistan, demanding, "Is it possible to have discussions amidst bomb blasts and gunshots? Do you think it is possible to have a discussion amidst the deafening noise of bomb blasts and gunshots? So to have a reasonable discussion, first the blasts and gunshots have to stop ... There can be no talks till all this comes to an end ...". And yet, his unsolicited overtures to Pakistan commenced even before he took office, with an invitation to Prime Minister Nawaz Sharif to attend his swearing-in ceremony, in spite of escalating ceasefire violations along the International Border and Line of Control (LoC) in J&K and rising instances of Pakistan-backed terror in the State. This was quickly followed by the decision to hold Foreign Secretary level talks with Pakistan, but the process stalled when the Pakistani High Commissioner chose to meet with Kashmiri separatists in the prelude to the actual meetings in August 2014. The process was resumed, without any rational grounds for policy reversal, when Foreign Secretary level talks were held on March 2, 2015, without any positive gains. On April 3, 2015, the government chose to reiterate that 'terror and talks cannot go together'. This incomprehensible series of events can only be explained in terms of the restoration of the 'policy pendulum' between 'talks and no talks', which has exhausted India's responses to Pakistani provocation for decades and speaks poorly of the new dispensation's leadership and strategic orientation.

Worse, while there have, yet, been no major attacks outside J&K by Islamist extremist groups operating out of Pakistan during Modi's tenure, this does not appear to be the result of any dramatic improvement in the structure or functioning of the Indian security establishment. Periodic operational successes have, of course, continued, with intelligence and enforcement agencies arresting and neutralising various cells of Pak-backed terrorists in a long ongoing process. There is little evidence to suggest, however, that this is, in any measure, the consequence of significant policy initiatives or changes in capacities and capabilities initiated by the present government and on these variables, no dramatic developments have occurred.

North-east Still Boiling

Prime Minister Modi has articulated an elaborate vision for India's North-east, describing it as a 'natural

economic zone' and promising that his government would do everything to help tap its potential for the benefit of the region itself. Sentiment in the region was partially assuaged by Modi's visit in November 2014, early in his term – a rare event, the first visit by a Prime Minister to many of these areas after Atal Bihari Vajpayee more than a decade earlier. The building of infrastructure in the region has been given priority by the Centre, with dramatically enhanced budgetary allocations: ₹ 5,116 crore to build railheads and another ₹ 28,000 crore to develop the rail network; ₹ 5,000 crore for the power sector and ₹ 3,000 crore for road construction across the region. Successful implementation of these projects could have dramatic impact on the security situation, but remains to be seen. Several 'road maps' have also been outlined to directly address security challenges, including the acceleration of protracted negotiation processes and in National Security Adviser Ajit Doval's words, "There should never be any feeling that it (talks) are protracted ... a desired end... must be found in real time." However, RN Ravi, the Centre's interlocutor for Naga talks and Chairman of the Joint Intelligence Committee (JIC), asserted, on April 6, 2015, that "The Government has not given any timeline to end the talks." The problem of illegal migrants from Bangladesh, which lies at the source of many of the conflicts in the region, moreover, remains entirely unaddressed, despite escalating rhetoric. Beyond the long-entrenched 'battalion approach' – the shuffling about of Central Armed Police Forces – moreover, the government has demonstrated no clarity of perception in its 'strategy' to address the continuing and multiple insurgencies in the region.

LWE-affected Areas

There have been some new formulations with regard to the government's approach to Left Wing Extremism. While the standard bureaucratise of the 'multipronged approach' has been reiterated, temporal priorities are now better defined, with the government's draft policy on LWE observing that, in the worst LWE affected areas, security interventions will be followed by development interventions; in moderately affected areas, both the interventions will go hand in hand and in less affected areas, development interventions will take the precedence. Further, the draft policy argued, experience of previous counter-insurgency campaigns in States like Punjab, Andhra Pradesh and Tripura suggests that State Police should take the lead in the campaign with support from Central forces. Unfortunately, nearly six months after the unveiling of this 'draft policy', it continues to await Cabinet clearance. The Prime Minister's Office recently observed, in another context, that delays reflect a lack of commitment; if this is, indeed, the case, the protracted delay in Cabinet approval to the pending LWE policy speaks poorly of the government's

The blame for escalation in some of the theatres of chronic conflict cannot be laid at Modi's door

The general law and order situation demonstrates little evidence of any remarkable change



commitment in this regard. Meanwhile, the directionless and often counterproductive emphasis on the CAPF-heavy 'area domination approach' persists.

Inadequate Manpower

Police reforms – critical to all aspects of internal security – have found no significant mention in the present dispensation's public pronouncements, though there has been much emphasis on modernising police and paramilitary forces. Unfortunately, the Centre has actually slashed about ₹ 8 billion from funding for key police infrastructure – construction and upgrading of police stations, police housing, forensic science laboratories and training facilities – in States under the Modernisation of Police Force (MPF) scheme, though the Union Ministry of Home Affairs was allocated ₹ 621.24 billion in the Union Budget for 2015-16, a 10.2 per cent increase over the outlay in last fiscal (2014-15), with focus on internal security.

Worse, the Crime and Criminal Tracking Network and Systems (CCTNS) project, which was intended to link more than 14,000 police stations and 6,000 higher offices in the Police hierarchy – perhaps the single most crucial initiative in the internal security sphere – which has been floundering for the past six years since it was first sanctioned in 2009, received no allocation in the latest Union Budget. The scheme now 'stands transferred to States', who are expected to fund it from their 'increased share of Union taxes' – a formulation that inspires little confidence. Significantly, several opposition-ruled States are already questioning the Union government's claim of 'increased share of Union taxes'. The CCTNS – a recasting of the 'Polnet' project sanctioned in 1996 – was envisaged by the United Progressive Alliance government in 2009, in the aftermath of the 26/11 Mumbai terror attacks. A range of other projects, including

NATGRID, the GPS system for surveillance of sea vessels, capacity augmentation in central intelligence agencies and critical technological and equipment upgrades, remained stalled. Little has been done to address the over 22.81 per cent deficit of personnel in the Police, against severely inadequate sanctioned strengths, including a 19.7 per cent in the elite Indian Police Service ranks.

Women's Security

Further, the general law and order situation demonstrates little evidence of any remarkable change. There has been no visible improvement in the sphere of women's security, in the management of communal and caste tensions or in other spheres of public safety. Significantly, the Nirbhaya Fund of ₹ 1,000 crore allocated for women's security by the UPA government in 2013, remains unspent. This has not, however, deterred the present government from allocating another ₹ 1,000 crore to the Fund in the 2015-16 Union Budget.

One year is far too brief a period for any dramatic transformation in the complex and, on many parameters, appalling internal security system and situation in India. The Modi government has made many announcements and some allocations on various parameters, but these are yet to impact on actual institutions, practices and circumstances. There are, moreover, crucial lacunae in approach, including a persisting reluctance to push the long and intentionally neglected issues of Police reforms – though these lie overwhelmingly within the jurisdiction of the States. The Centre does, however, have enormous leverage to push a coherent policy on these many deficiencies in the States, as well as those within a wide range of underperforming, under-resourced and undermanned Central agencies and forces. Evidence of any great urgency in addressing these problems, on the part of the Modi regime, unfortunately, remains presently unavailable. **DA**



MAKE IN INDIA IN DEFENCE MAKING INDIA SELF-RELIANT

Although the Defence Production Policy speaks of a Defence Technology Fund, the allocation of a meagre ₹ 100 crore for that purpose during the last budget exposes our lack of sincerity towards meaningful Defence R&D.

Sloganeering has a special place in Indian politics, perhaps more so than in other nations across the world. Modi's contribution to the political lexicon is 'Make in India'; it was first alluded to obliquely during his Independence Day address to the nation last year and then launched a month later at a special function in Vigyan Bhawan,

New Delhi. The importance accorded to it by Modi personally (and with a touch of parental pride) is evident from the fact that he was present at a workshop organised in December last year to expound on the 'Make in India' concept; the workshop was attended by Cabinet Ministers, State Chief Secretaries and industry bigwigs. A few weeks later, Modi attended the Aero Show (only one other PM thought it fit to do

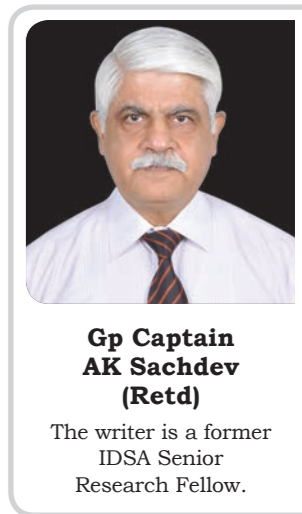
so in the past) and used its inauguration ceremony to extol the lofty sentiment behind 'Make in India'. Indeed, there was a well concerted build-up to the event in terms of giving the Aero Show a 'Make in India' focus. Modi's inaugural speech encapsulated all the essential ingredients of the programme with Indian and international entities as target audience. Let us take a short pause here to consider two morsels of information. Firstly, the 'Make in India' campaign has been put together, surprise of surprise, by Wieden + Kennedy, an Oregon (US) based company (and not a company made in India). Secondly, the customary carry bags given away to media members covering the Aero Show were made, no surprise this time, not in India but in China. These cheerless, iconoclastic titbits are mentioned here not disparagingly or judgmentally, but to underscore the internal inconsistencies that besiege the consummation of the 'Make in India' crusade launched by Modi. This is especially so in the area of defence production, the focus of this discussion.

Defence 'Make In India'
Referred to as a Programme, 'Make in India' embraces 25 sectors in its official website, Defence Manufacturing being one of them. Arguably, some of the other listed sectors that could impinge on defence preparedness are Aviation, Electronic Systems, IT and Space. The sheer size of Indian defence forces (third largest in the world) and the sizeable defence budget should have been the impetus for indigenous defence product and technology development in the years gone by. While that sounds like common sense, the fact is that 60 per cent of its defence requirements are currently met through imports. Indeed, India was the top arms importer in the world until last year (reportedly overtaken by Saudi Arabia this year). The projected investment in defence over the next 7-8 years is ₹ 250 billion; the opportunity and the potential are self-evident, but what is the capability? More importantly, what is the potential for 'Make in India' in the defence arena in terms of domestic public and private sectors, as well as foreign companies willing to set-up manufacturing shop in India?

The Story So Far
It is customary to blame Nehru's heavy reliance on PSUs for the dismal record of our defence production. However, after nearly seven decades of existence as a nation, successive governments must accept the collective accountability of permitting an inherently inefficient defence R&D and production environment to self-perpetuate. Needless to say, this inefficiency came at the cost of possible private sector competition that was suppressed by public sector lobbies which dreaded the prospect of their productivity being compared to private players. The fact that they had the political and bureaucratic clout to keep private

players out of the reckoning helped their cause but have inflicted unacceptable damage to national defence preparedness. Major liberalisation in 2001 brought defence manufacturing out of the monopolistic grip of the PSUs and the Ordnance Factories with 100 per cent private sector participation being permitted. More recently, 49 per cent FDI has also been allowed (with a provision to go beyond the 49 per cent figure if state-of-the-art technology transfer was part of the deal). However, few big OEMs would be interested in entering into partnership with Indian companies without a major say in manufacturing management. (China's comparative success in this respect is due to its lack of inhibition about FDI exceeding 49 per cent). Overall, domestic companies have been able to secure only a very tiny proportion of the Indian defence market with arms orders being doled out to public sector or to foreign giants like Boeing, Lockheed Martin and BAE Systems. Tangible results are yet to show up and it will be a long time before India approaches self-reliance in the arena of defence production.

The denial meted out to the private sector would probably not have been so deleterious to defence preparedness had the public sector undertaken noteworthy R&D with substantial results to show. However, barring a few areas of excellence, the general performance has been dismal and can be summed up as too little and largely too late. Defence Research and Development Organisation (DRDO) has 60 laboratories clustered under seven technology-based categories. Approximately 5.5 per cent of the national defence budget goes to DRDO. Incidentally, in the context of 'Make in India', it may be mentioned that the Council of Scientific and Industrial Research (CSIR), the country's largest R&D organisation, also contributes to defence sector indirectly (as an illustration, the National Aeronautical Laboratory or NAL functions under CSIR and not DRDO). However, the proof of the pudding, proverbially speaking, is in the eating; the results belie the vast infrastructure and investment provided for R&D. Major quality products (aircraft, ships, guns) have eluded our grasp and transfer of critical technology has been negligible (the only notable accomplishments by India have been in the space and surface-to-surface missile domains). DRDO's assurances have largely remained unfulfilled or inordinately delayed but as a result, the defence forces have been denied the opportunity to import suitable arms and equipment in many instances. In general, the military distrusts DRDO's promises (Adm Arun Prakash has reportedly accused



Gp Captain AK Sachdev (Retd)
The writer is a former IDSA Senior Research Fellow.

The Modi government has tried to project itself as a decisive and progressive one with several reformative actions being initiated



DRDO of 'intellectual dishonesty') and certainly does not imagine DRDO as a viable 'Make in India' apparatus. Although the Defence Production Policy speaks of a Defence Technology Fund, the allocation of a meagre ₹ 100 crore for that purpose during the last budget exposes our lack of sincerity towards meaningful Defence R&D.

In the absence of domestic produce, procurement from foreign manufacturers has been the necessity rather than a choice. However, the processes for defence procurement have remained oppressively bureaucratic and time consuming. A Defence Production Policy (DPP) in 2011, an Offset Policy in 2012, a Defence Procurement Procedure (DPP) in 2013 and several subsequent modifications to these three policies have been aimed at creating a level playing field for the private sector, bring in higher self-reliance in critical technology and leverage our big arms' acquisition to bring in state-of-the-art technology as also long-term partnership with Original Equipment Manufacturers (OEMs). A list of defence items requiring industrial license was notified in 2014 and a 'Security Manual for Licensed Defence Industries' also released.

The policies are yet to show tangible results and are constantly being modified without making them more industry-friendly. To summarise, overall defence production remains a pathetically feeble area with public sector being largely inefficient and private sector being denied wholesome participation; 'Make in India' could well provide the required impetus to fill this void, especially in the private sector.

Owning technology would be the key to becoming a nation seen as a manufacturing world power with brand India a desirable and aspirational one

Is The Environment Right?

The 'Make in India' ideal is laudable but is the environment right for its implementation? India offers some inherent advantages by way of inexpensive and abundant manpower, fairly high-level of education to permit inculcation of high-level skills, a well-established technological base capable of assimilating leading edge technology with a little push and munificent natural resources. However, our pathological preoccupation with bureaucratic procedures is a major impediment; the current DPP runs into 361 pages, the original 2002 version was 84 pages in contrast. Reportedly, Defence Minister Manohar Parrikar had said in January this year that his ministry will come out with a brand new 'simplified and time-bound' Defence Procurement Procedure (DPP) by March 2015 that will help smoothen defence procurement. The resultant environment was described at a recent workshop at Centre for Land Warfare Studies (CLAWS) as a 'Snakes and Ladders' game without any ladders and with all the constituent clauses and steps in the policy documents representing snakes that pulled players down to the starting point. The analogy laments the failure of any 'single window' and

'fast track' procedures that Modi may have in mind in the context of 'Make in India'. If 'Make in India' is to really take off, Modi will have to really address the problem of simplifying procedures and cut timings required for getting into position for 'Making in India'.

The Modi government has tried to project itself as a decisive and progressive one with several reformative actions being initiated. However, ground realities have not changed substantially and public confidence in Modi's leadership is not yet established unwaveringly. Hopefully, his grip over the governance (read bureaucracy) will strengthen as time goes by, thus helping him empower the 'Make in India' programme progressively.

The Potential

Were the impediments outlined above to be addressed and eliminated, what is the potential for 'Make in India'? Will the existing public sector infrastructure rouse itself from its semi-somnolent state and gear up to fill the hiatus between our defence needs and our defence production? In the opinion of this writer, the answer is a firm negative.

Given the years of culture-building, to suddenly expect efficiency from public sector under 'Make in India' reminds us of Samuel Johnson's famous quote about 'triumph of hope over experience' on hearing of a man who had remarried soon after the death of a wife to whom he had been unhappily married. Indeed, privatisation of the public sector is the way ahead if Modi's dream is to be realised. We often hear some concerns voiced over security issues related to defence production in the private domain. These concerns are real and can be tackled (as they have been in other countries); in any case, the public domain has not proved to be imbued with airtight security (as witnessed by the recent leakage of documents from various ministries for nefarious purposes). Anyone who has worked with or closely watched a defence PSU will concede without any debate that productivity and efficiency are not part of the culture. Witness the eagerness of Dassault to partner with Reliance instead of HAL for the MMRCA contract. A hypothetical question that is often heard in this context is: What if all the funds poured into our PSUs had been channelled into the private sector? However, given that the public sector is dominated by the bureaucracy as are the power centres in the government, one cannot conjure up a scenario in which public sector can be eliminated or privatised in a hurry. Nor can one hope that efficiency will suddenly become part of the culture in public sector.

Private Sector 'Ratnas'

Coming to the private sector, well, it is raring to go and literally, the sky and the ocean floor are the

limits to which it is capable of extending its reach. Reliance Industries (Mukesh Ambani), Reliance Group (Anil Ambani), Tata Group, Mahendra Group, Bharat Forge, Pipapav Defence (whose management control has recently been acquired by Anil Ambani), Larsen & Toubro (L&T), Hero Group, Hinduja Group are the forerunners with the capability, track record, financial stability and desire to contribute handsomely to 'Make in India'. Incidentally, the government has shortlisted Larsen & Toubro (L&T) and Pipapav Defence for award of a ₹ 60,000 crore contract to build six conventional submarines under its Project 751. The big houses are not the only ones that can contribute to Indian defence production; smaller entities also wait in the wings to unfurl full sails. Some of them have already demonstrated their capabilities. Dynamatic Technologies, a Bangalore-based company, has become a key supplier of complex parts to Airbus, Boeing and Bell Helicopters while Sikorsky has a tie-up with Tata Advanced Systems to make S-92 helicopter cabins at a facility in Hyderabad for the global market. There are a host of small manufacturing companies producing minor components and sub-assemblies for use in the defence domain. However, governmental policies do not adequately and actively encourage entrepreneurship at the small and medium level. The key to the success of 'Make in India' lies in decontaminating the environment in which business is conducted in India.

Should the environment be cleansed of its imperfections, there could be an added impetus to foreign collaboration for 'Make in India'. For example, almost every helicopter maker has a sidelong glance at India's defence market. Provided with the right incentives and assured a healthy business regimen, it is foreseeable that at least one of them could set up manufacturing establishment in India. The interest shown by US, Russian, European, Israeli and Turkish entities at the Aero Show 2015 encourages hopes of collaborative manufacturing in India, if the conditions are right. Indeed, seeking foreign collaboration for the programme would appear to be the preferred and more rewarding route rather than new, home-grown companies. The advantages of saved time, transfer of technology and accumulated experience and skill inducted with foreign collaboration would be a welcome boost to 'Make in India'. To sum up, the success of 'Make in India' is predicated to the cost of establishing and running a manufacturing unit in India.

Budgetary Constraints


Presuming that the overall situation improves for 'Make in India' to gradually become a reality, Modi will have to address the funding for 'Make in India' projects – new ones and existing. The Revised Estimate for 2014-15 was ₹ 2,22,370 crore while the Budgetary Estimate for 2015-16 is ₹ 2,46,727 crore. The increment is inadequate to allow for the inflationary trend ruling international arms market. Out of the funds allotted for modernisation in

2014-15, ₹ 12,622 crore could not be expended due to various reasons. For 2015-16, India's defence expenditure is just 1.74 per cent of GDP (it was 1.76 per cent in 2014-15). Our defence preparedness, as underscored in iterations by Gen VK Singh and Adm DK Joshi, is at a low. Certainly, it is not a level that would inspire hopes of getting the better of either or both of our adversarial neighbours. The weak areas for all the three Services are often debated and written about; suffice it to say that 'Make in India' could be rendered more profitable for the defence of the nation if the establishment also realised the importance of providing desperately needed funding for defence production (and procurement).

Concluding Remarks

Self-reliance in defence production has been an objective since the promulgation of Defence Production Policy mentioned earlier. The document commences with the admission that "Self-reliance in Defence is of vital importance for both strategic and economic reasons ..." and, close to its end, stipulates that, "The Raksha Mantri will hold an Annual Review of the progress in self-reliance that has been achieved during the year". No review seems to have been ever carried out.

Hopefully, 'Make in India' will take on the toil for self-reliance in defence production. Perhaps there is an advantage there for Modi as his articulations have been investor-friendly. Nonetheless, investment decisions would be based on more substantial considerations like easy conduct of business, stable and long-term policies, security of investment/intellectual property rights and returns on investment. Owning technology would be the key to becoming a nation seen as a manufacturing world power with brand India a desirable and aspirational one. This will result in major exports, substantial earnings and enhanced 'Make in India' motivation.

The sheer magnitude of the infrastructure required to increase our defence production to levels of self-reliance is awe-inspiring. It would take a decade or maybe two, for our defence needs to be met entirely (or largely) through indigenous production. This ideal situation would result only from a personal push from Modi. It is this writer's conjecture that, even if 'Make in India' shapes up to Modi's vision, its continued success is predicated to his continued leadership at the centre, at least for another decade. As a nation, we need to look ahead and shape 'Make in India' in a manner that it produces not just for Indian needs but also builds a capacity to produce for export. Should we achieve self-reliance in defence production and then graduate to exporting military hardware, the splendid notion behind 'Make in India' would have been consummated. The 'Make in India' logo is the veritable lion, presumably selected as a symbol due to its enormous strength and its strident bellow. It remains to be seen whether the programme it symbolises goes on to become a 'roaring' success or peters out into an insubstantial whimper. 

NEIGHBOURHOOD POLICY CHALLENGES AND ROAD AHEAD

The visit by PM Modi to China in May, 2015 will provide some clarity on how relations between these two significant powers of Asia are going to evolve over the coming years. Both PM Modi and President Xi Jinping are highly nationalistic but also extremely pragmatic leaders. Both of them realise that it is in neither country's interest to have adversarial let alone confrontational relations with each other.



India has shared close civilisational bonds with its neighbours over the last several centuries. Till its independence from the 200 year long colonial rule in 1947, the vast swathe of land from Afghanistan in the West to Myanmar in the East was a part of Indian Territory. The intimate ties of culture, history, language, attire, cuisine, traditions and faiths have however not been sufficient to ensure friendly and peaceful relations between India and its neighbours. On the contrary, many of these factors have been used at times by India's neighbours to emphasise their uniqueness and individual identities as being separate from India.

Inspiring Start

The challenges that confronted Prime Minister Modi when he took charge of the reins of the Government on 26th May, 2014 were formidable and daunting. It was presumed by political analysts and commentators that since PM Modi's exposure to the realm of diplomacy and foreign affairs was rather limited, management of India's foreign relations would be the weakest suite in his governance. However, he began strongly by inviting Heads of State/Government of all SAARC countries and the Prime Minister of Mauritius to his swearing-in ceremony. All the invited leaders

responded promptly and positively to the invitation, except for Pakistan whose Prime Minister took a little longer to confirm as he was required to seek the concurrence of his Army Chief. The presence of all SAARC leaders at this ceremonial event and at the bilateral deliberations between PM Modi and the visiting dignitaries on 27th May, 2014, launched the current government's neighbourhood policy to an inspiring start.

Contentious Neighbours

It needs to be recognised that most countries in the world have difficult, if not exactly adversarial relations with their neighbours. This is particularly true of large countries and is clearly visible in the context of relations between USA-Canada, USA-Mexico, France-Germany, Germany-Italy, France-UK, Brazil-Argentina and several more. In fact *Kautilya* had propounded in his Mandala theory of interstate relations around 300 BC: "Your neighbour is your natural enemy and your neighbour's neighbour is your friend". Although exceptions to this postulate exist, its basic thrust continues to be relevant and valid in several cases even today.

In the SAARC configuration, India accounts for around 80 per cent or more of the total land area, GDP, wealth, trade, FDI, industrial and agricultural production etc of this grouping. India hence occupies a pre-eminent and dominant position in this structure. India is the only country that shares borders with all other SAARC member countries, either land or maritime and none of the other countries share a border with any other member except between Pakistan and Afghanistan.

'Big Brother' Misnomer

Since India's independence, there has been a huge trust deficit between India and its neighbours who consider that India flaunts a Big Brother attitude towards its smaller neighbours. There is also a pervasive impression that barring Pakistan, India does not devote enough time and attention to solving problems or strengthening relations with other neighbours. Even projects beneficial to smaller countries are looked upon with suspicion and skepticism, as if India has a hidden agenda favouring itself while promoting those initiatives.

To promote confidence, PM Modi announced immediately after assuming charge that relations with neighbours would be given primacy in formulation and implementation of his government's foreign policy. He followed up this pronouncement by selecting Bhutan for his first visit. This decision was taken to further cement and consolidate this 'special relationship' particularly in the wake of a concerted push by China to establish diplomatic ties with Bhutan and settle its borders to the detriment of India's interests. India is Bhutan's strongest partner, with cooperation ranging from construction of infrastructure, power plants, roads and cement plants to education and health. Addressing the Bhutanese Parliament on June 16, 2014, PM Modi

said: "The stronger India will be, the better it is for Bhutan and other SAARC nations. A strong and stable India is needed so that we can help our neighbours".

Realpolitik

In all his pronouncements on his visits, PM Modi has sought to make our neighbours active partners and stakeholders in our development and prosperity, encouraging them to take full advantage of India's successes. This was the theme of his next visit in the region to Nepal, which turned out to be the first bilateral visit by an Indian Prime Minister to this vital country after a long gap of 17 years. This sought to remove the impression of being neglected and taken for granted that had long been held by the people and leadership of this country. During his visit, PM Modi announced that India would like to work towards making Nepal a developed country by harnessing its resources to produce hydroelectric power and also purchasing it from Nepal at market prices to meet the growing energy demand in India.

A sense of euphoria enveloped Kathmandu and Nepal and a 2-day public holiday was declared to celebrate the Prime Minister's long overdue visit. More recently, the Indian Government has responded with exemplary swiftness to provide relief and medical care to the victims of the horrendous 7.9 Richter intensity earthquake that struck Nepal on 25th April, 2015 causing countless deaths and huge destruction.

PM Modi's visit to Nepal was preceded by the visit of External Affairs Minister Sushma Swaraj for the meeting of the Joint Economic Commission which was convened after a gap of 23 years. PM Modi made a second visit to Kathmandu in November, 2014 to participate in the SAARC Summit. Significant forward movement has taken place in bilateral ties over the last few months as long pending agreements on power generation



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and trading have been signed between private companies of the two countries.

Tit-For-Tat With Pakistan

In addition, PM Modi has sought to improve relations with Pakistan. He demonstrated this not only through words but more importantly through action by inviting Pakistan PM Nawaz Sharif to his swearing-in ceremony. Relations with Pakistan thus got off to a positive and encouraging start at the beginning of PM Modi's tenure. This however did not stop him from calling off the foreign secretary-level talks in August, 2014 as the Pakistan High Commissioner went ahead with his meeting with the Kashmir militant separatists in spite of having been advised by the Indian Foreign Office to desist from doing so. Addressing the General Assembly Session of the United Nations in New York on 27th September, 2014, PM Modi said: **"India desires a peaceful and stable environment for its development.**

That is why my government has placed the highest priority on advancing friendship and cooperation with her neighbours. This includes Pakistan. I am prepared to engage in a serious bilateral dialogue with Pakistan in a peaceful atmosphere without the shadow of terrorism to promote our friendship and cooperation." India's initiatives to improve relations with Pakistan have not met with a positive response. Pakistan has resorted to increased firing and shelling from across our borders and continued to mastermind and support terrorist attacks on Indian Territory. The Indian Government has decided that all attacks will be responded to with even greater force so that Pakistan is made to feel the pain and is punished for its actions. India has also decided that notwithstanding Pakistan's obstructionist approach to promoting social, economic, commercial and cultural cooperation

Most countries in the world have difficult, if not exactly adversarial relations with their neighbours

amongst SAARC countries, India will continue to take new initiatives for enhancing regional and subregional cooperation, either with or without the presence of and engagement with Pakistan. In this context, India has started placing greater emphasis on cooperation in the subregional groups comprising of Bangladesh-Bhutan-India-Nepal (BBIN) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) whose members include Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.

It needs to be recognised that in Pakistan, its policies relating to India, Afghanistan and nuclear issues fall within the purview of the Pakistan Army and related 'Agencies' and are outside the mandate of the civilian government. The Pakistan Army is unlikely to agree to any measures to improve relations with India as it will directly impact the funding and financial resources it is receiving, subsequently lessening its standing and influence in the domestic power matrix. India will hence have to continue to live with the periodic shelling and incursions from across the border and ensure that it does not get obsessed with its relations with Pakistan as it has been so far and keep its focus on strengthening relations with other neighbours and partners.

The Littoral

PM Modi's *Samudra Yatra* which *inter alia* took him to Sri Lanka, as the first bilateral visit by an Indian PM after a gap of 28 years, was a resounding success. He was able to reach out to all segments of local society and communities and emphasised India's interest in the integrity, sovereignty, stability, security and prosperity of Sri Lanka. The change of government in Colombo after elections earlier this year and separate visits by Sri Lankan President and Foreign Minister,

which were their first visits outside the country after assuming charge, set the stage for a productive bilateral visit by PM Modi. Discussions on some contentious issues like freedom of fishermen to fish in the Palk Strait, resettlement of the displaced Tamil refugees, upgradation of the bilateral Free Trade Agreement to a Comprehensive Economic Partnership Agreement (CEPA) have been taken up and are expected to lead to positive mutually acceptable solutions in the near future.

Afghan Developments

Moving northwards, Afghan President Ashraf Ghani visited India on 27th April, 2015. There was concern in some quarters in India that his visit was coming after seven months of his assuming charge while he has visited Pakistan, China, Saudi Arabia and some other countries before visiting India. Discussions between Prime Minister Modi and President Ghani have given fresh energy to the bilateral relationship. Both sides agreed to fight terrorism and raise their level of economic and commercial cooperation. India has invested heavily in the social and physical infrastructure as well as in development of human resources in Afghanistan and enjoys centuries-old cultural and civilisational links with the Afghan people. This visit has presented a useful opportunity to the Modi government to ensure that its interests in this critical country are protected and promoted.

Entente Cordiale

Coming to the east, India's relations with Bangladesh today are the most friendly and fruitful than they have been at any time since 1975 when the Father of the Nation Bangabandhu was assassinated. The upswing in relations started when Sheikh Hasina assumed the mantle of the Head of Government in 2009 and won a second term last year. Bangladesh has helped and supported India to deal with insurgency

that was earlier being promoted from Bangladesh territory. Bangladesh has apprehended and handed over Indian militants and extremists and closed all sources of funding, training and shipment of arms. India has generously supported Bangladesh's efforts by extending financial aid for economic and infrastructure development and growth. Two outstanding issues of sharing Teesta River Waters and exchange of enclaves and adverse possessions remain to be finalised. It is expected that they are likely to be resolved to mutual satisfaction very soon. PM Modi has continued

the active and intense interaction with the Sheikh Hasina government to mutual benefit and advantage. External Affairs Minister Sushma Swaraj chose Dhaka to be her first destination after the new government was sworn in. This is a measure of the importance that the Modi government attaches to its relations with Bangladesh. The first visit by Bangladesh President to India in December, 2014 since the visit of Sheikh Mujibur Rahman in 1974 is also testimony to the determination of PM Modi to further strengthen bilateral ties with this important neighbour.

Chinese Gamesmanship

Further north, PM Modi has signalled his keen interest to improve relations with China. This was reflected in the warm welcome accorded to President Xi Jinping on his visit to India in September, 2014. The impact of the visit was however considerably diluted by the incursion in Chumar area of the border between the two countries by PLA when the Chinese President was still on Indian soil. PM Modi categorically told the Chinese visitor that it would not be possible to realise the full potential of bilateral ties unless there is peace and tranquillity on the border. The message went quickly to the Chinese leadership and the troops were rapidly withdrawn. There are immense possibilities for promoting economic and commercial cooperation and

In less than one year, the government has been able to advance India's interests in a robust, credible and effective manner

collaboration between India and China. However the unsettled border between the two countries, support and assistance by China to Pakistan in defence and military equipment and nuclear material and technology, as well as differences on sharing of river waters are serious difficulties in promoting trust and strengthening relations between the two countries. China's promise to supply US\$ 46 billion worth of hardware and equipment to Pakistan during President Xi Jinping's visit on 20th-21st April, 2015 creates further suspicion and doubt about its seriousness to have cordial and fruitful relations with India. It does not require any technical information or analytical skills to conclude that the sophisticated air and sea power being provided to Pakistani forces will be used against India and not against Taliban or other extremist, militant forces. Relations between India and China will continue to be determined by elements of both competition and cooperation. It is however becoming apparent that China has started taking India more seriously than it did even two years ago.

Looming Overreach

While India needs to focus on building its infrastructure, particularly in the border areas and bolster its defence preparedness, it also needs to be conscious of the severe disadvantages that China suffers from, which its remarkable economic rise sometimes conceals and which its supporters seek to dismiss and ignore. It has serious problems with ethnic minorities like the Uighurs and Tibetans. There are challenges of banks riddled with bad loans, finding employment and pensions for a large rapidly ageing workforce, adverse demographic composition on account of a shrinking labour force and fast greying population, social inequality of destabilising proportions, which is among the highest in the world. There is simmering dissent among its netizens and civil society. There is rampant corruption at all levels and environmental degradation. The country has grown to an extraordinary extent over the past three decades, but it may be harder to sustain it and to achieve internal consensus on what comes next.

The visit by PM Modi to China in May, 2015 will provide some clarity on how relations between these two significant powers of Asia are going to evolve over the coming years. Both PM Modi and President Xi Jinping are highly nationalistic but also extremely pragmatic leaders. Both of them realise that it is in neither country's interest to have adversarial let alone confrontational relations with each other. It can be hoped that relations will continue to grow and expand and remain in a state of dynamic equilibrium.

Myanmar


Heading further eastwards, Myanmar is an important neighbour of India. The Myanmar military government has cooperated with India to effectively deal with the insurgent and militant groups in our North-eastern States. India has maintained cordial relations and kept its channels of communication open, both with the government and also with the NLD leader Aung San Suu Kyi. Myanmar can serve an extremely important

role by providing connectivity to our North-eastern States with the ASEAN countries. This will have a positive impact on the economic, social and cultural life of our people in the North-east and will promote security, stability and prosperity in the region. India needs to improve its physical infrastructure of roads as well as the social infrastructure of health and education to take full advantage of this potential. Myanmar is also a member of Bangladesh-China-India-Myanmar (BCIM) Grouping or the Kunming Initiative which seeks to promote subregional cooperation between these countries. PM Modi visited Myanmar in November, 2014 to participate in the ASEAN-India Summit and the East Asian Summit. Sushma Swaraj also visited Myanmar in August, 2014 to participate in the ASEAN Regional Forum and other related meetings. Commerce Minister Nirmala Sitharaman went to Myanmar in March, 2015 to participate in the 5th Joint Trade Committee Meeting. It is essential for the Modi government to engage the Myanmar leadership bilaterally to take full advantage of the huge potential that this partnership presents. Engagement needs to transcend purely economic issues and encompass strategic cooperation between the two countries.

Maldives

Travelling far west to the Arabian Sea, relations between India and Maldives continue to be tense and under stress ever since former President Mohamed Nasheed was removed from office and the contract of GMR to construct the Male Airport was terminated midway. It was subsequently awarded to a Chinese company. Maldives continues to be in a state of flux and transition and it is hoped and expected that PM Modi's government will take the appropriate initiative to put bilateral relations on a firmer footing at the first available opportunity. Tense bilateral relations however did not come in the way of the government despatching large emergency supplies of drinking water to Maldives under *Operation Neer* in December, 2014 when the need arose on account of a huge fire in the Male Water and Sewerage Plant.

Prime Minister Modi has used his clear-headed approach to reach out to countries in India's neighbourhood, South East Asia and India's strategic partners around the world to carve out stronger relations for promotion of its national interest and addressing its concerns. He has also used his communication skills most effectively to connect with India's major partners and interlocutors all over the world, particularly in the neighbouring countries.

Results so far on formulation and implementation of the country's foreign policy give considerable hope and confidence for proactive and effective pursuit of India's interest in its relations with its neighbourhood and major partners. There is considerable continuity in formulation and conduct of foreign policy but there is significant change also in terms of emphasis, substance and style. In the short period of a little less than one year, the government has been able to advance India's interests in a robust, credible and effective manner. 

INDIA-CHINA RELATIONS
EVOLVING GEOSTRATEGIC ENVIRONMENT

All the changes in the Indian foreign and security policies have possibly one country – predominantly China – in mind. Addressing the China issue has become central to the new government ever since it took over in May last year. This is the context for PM Modi's visits and appeals to various actors in the international system, in addition to the preparations in defending India both in the continental and maritime domains.



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Ever since the new government took over in New Delhi in May 2014, expectations of Indian foreign policy influencing the regional geostrategic environment are high. These are partly accounted for by economic growth rates in the past decade as well as by the enthusiasm of the new political dispensation. While there are no perceptible radical departures in the foreign and security policies, it appears New Delhi is getting its act together with concerted approaches.

These include a spate of foreign and security policy initiatives that the new government undertook.

Prime Minister Narendra Modi's emphasis on the immediate neighbourhood is visible not only in the invitation and prompt acceptance of the South Asian leaderships to attend his inaugural ceremony but also to his visits to Bhutan and Nepal.

Personalised Diplomacy

As promised, the first overseas visit was undertaken to Japan by PM Modi. During this visit, a number of initiatives – that would become the staples of PM Modi – were made. Thus, one-to-one personalised contacts between the two leaders commenced between PM Modi and PM Shinzo Abe in Kyoto and then followed up

with official talks in Tokyo. This indicated that PM Modi, wishes to not only understand his counterpart but also take-up the diplomatic initiatives without aides. This pattern continued subsequently in the visit of President Xi Jinping firstly to Ahmedabad and then to New Delhi in September last year. Both spent at least ten hours together discussing various issues. Also, since then the officials in China began suggesting that India-China relations have entered a 'five to ten' year preparatory but stable period. This is also true of the more than a couple of hours talk at the memorial in Washington between PM Modi and President Obama or with PM Abbott in Australia and recently with French President Hollande and German Chancellor Merkel. Personalised diplomacy then has become the hallmark of PM Modi.

Incentives For Foreign Investors

Secondly, PM Modi during his visits abroad had made frantic appeals to the business communities – be it in Tokyo or Washington or in Sydney – underscoring the imperatives of foreign direct investments in India and for the success of the 'Make in India' initiative of the new government. While the new government had promised to push through Goods and Services Tax legislation as well as labour laws, land acquisition and environmental clearances, this appeal to the foreign investors constitutes a whole package for growth rates. It was suggested that India needs to invest over one trillion US Dollars in the infrastructure projects and transform the gross domestic product mix from the current heavy service sector to that of job-creating manufacturing sector.

Thirdly, PM Modi also utilised these visits abroad to connect with the Indian Diaspora in Japan, Fiji, United States, Australia, France, Germany and Canada. This was partly to remind them of their roots but also to make them partners in the growth story of India. It is estimated that the 50 million-strong persons of Indian origin (PIOs) have assets worth more than US\$ 500 billion abroad. By appealing to the Indian Diaspora, PM Modi is trying to broad-base India's outreach in the international community.

Fourthly, PM Modi had underlined, during these visits abroad, to connect to the religious and cultural traditions of India. Thus, his visits to Pashupatinath Temple at Kathmandu, the Buddhist monasteries at Kyoto and in Sri Lanka and his plans to visit monasteries in Xian in China in May this year suggest to a new element in diplomacy that most of his predecessors shied away from in the past.

Democracy Gambit

Fifthly, unlike his predecessors, PM Modi spoke about the importance of democracy not only in international relations (meaning no unipolarity) but also in the domestic decision-making process of countries. While the Indian foreign ministry, through its annual reports

and pronouncements spoke about democracy in the Southern Asian region since 2001, it had shied away from making democracy as an instrument of its foreign policy so far. Indeed, the then PM Rajiv Gandhi went to the extent of terming Tiananmen Square incident in June 1989 in Beijing as an 'internal matter' of China. In contrast PM Modi had been more vocal on the spread of democracy as his speeches in Japan, United States, Australia and other places indicate. Also noticeable is that Indian contribution to the United Nations Democratic Fund had surpassed that of the US contribution in the last one year. It is also not lost on the observers that Lobsang Sangay, elected by a popular vote by the Tibetan Diaspora, was invited to the inaugural of PM Modi last year, in addition to the Taiwanese Representative in New Delhi.

Targeting Expansionism

Sixthly, an underlying theme of PM Modi's visits abroad or his interactions with world leaders in the recent period include regional and global security issues. In Tokyo, PM Modi spoke about the lurking dangers to the globe from 'expansionism' – indirectly referring to China and its assertiveness in the East and South China Seas as well as on the India-China borders. To recall, as a candidate, Modi, speaking at Pasighat in Arunachal Pradesh in February 2014, criticised the 'expansionist mindset' of China.

PM Modi also quickly moved into 'Act East Asia' policy in contrast to confining to a mere Look East Asian policy that his predecessors started since 1991. This was mentioned in the joint statements in Washington as well as in New Delhi recently. As more than 55 per cent of Indian trade is passing through the South China Sea, in addition to more than US\$ 5 billion in investments that the public sector unit Oil and Natural Gas Corporation invested in the region, the revival in policy has clear implications for the regional security situation in the years to come.

Indian Ocean Rim Initiative

Also, the March 2015 stand-alone visit to the three Indian Ocean states of Sri Lanka, Mauritius and Seychelles by PM Modi is intended to convey a message of consolidation of the Indian neighbourhood. With the initiative to set-up coastal surveillance radars across the region, augmenting naval presence and assistance to these states suggest that the Indian Ocean region is set to receive higher attention from India in the coming years. This is in the light of not only the rise in non-traditional security challenges like piracy and environmental problems but also to reinforce the 'Project Mausam' meant to enhance the cultural and economic linkages between India and the Indian Ocean littoral. It is also clear that China had been putting pressure on India to join the Maritime Silk Road initiative in the Indian Ocean region. While the civilian component

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Indian efforts appear to be mainly preparatory and tactical in nature in addressing the strategic rise of China



of the initiative had been welcomed, New Delhi had expressed apprehensions about the military and strategic components of this initiative.

Seventhly, as a whole package, the ruling Bharatiya Janata Party, in its recent national conclave at Bengaluru, prescribed 'Panchamrit' or five 'S' as the guidelines for the country's foreign policy. These include 1. *Samman* – dignity and honour 2. *Samvad* – greater engagement and dialogue 3. *Samriddhi* – shared prosperity 4. *Suraksha* – regional and global security and 5. *Sanskriti evam Sabhyata* – cultural and civilisational linkages. While it would possibly take some time for the party to elaborate the implications of these principles, they nevertheless suggest the long-term changes in the Indian policy and also to situate them in the Indian ethos.

China Factor

All the above changes in the Indian foreign and security policies have possibly one country – predominantly China – in mind. Addressing the China issue has become central to the new government ever since it took over in May last year. Even though the previous Prime Minister Manmohan Singh expressed his 'concerns' over the rise of China in his speech at the Council on Foreign Relations at New York in 2009 or his observation that China is 'striving for a low level equilibrium in South Asia' – the Chinese juggernaut appeared unstoppable. This is the context for PM Modi's visits and appeals to various actors in the international system, in addition to the preparations in defending India both in the continental and maritime domains.

While PM Modi reached out to China's President Xi Jinping in September last year, nearly 12 agreements were signed at that time, mostly in the economic domain including manufacturing

zones, enhancing the speed of the railways etc. Subsequently, foreign minister Sushma Swaraj visited Beijing in February 2015 to attend the Russia-India-China meeting which was partly meant to prepare the agenda for PM Modi's visit to China in May. Subsequently, China's State Councilor Yang Jiechi visited India on March 22-24 to attend not only the 18th Special Representatives meeting on the territorial dispute but also preparing for the PM's visit.

However, PM Modi was well aware that the 1,000 troop build-up at Chumar in the Western Sector of the border, coinciding with this visit, could undercut Modi's standing both in India as well as in the international community. Without ground-level preparation, Jawaharlal Nehru learnt that lesson in 1962.

This could be partly reason for the emphasis on defence works in the border areas in the recent times. These include the US\$ 800 million package for resettlement of people who migrated from the line of actual control areas in the past two decades of drift in the border areas. There is also the enhancement in the number of outposts of the Indo-Tibetan Border Police from the current 45 to nearly 100 in Arunachal Pradesh, in addition to staging camps to counter any infiltration from the Chinese side. There is also a proposal to raise the ITBP strength by 16 more battalions, in addition to commissioning of 35 new roads.

This suggests that PM Modi is making comprehensive preparation – both at the international and domestic levels – to counter any challenges coming from China yet at the same time to coexist with Beijing in a mutually beneficial relationship. In the process, it is also clear that Indian efforts appear to be mainly preparatory and tactical in nature in addressing the strategic rise of China.



OPENING UP THE DEFENCE SECTOR UNRESTRICTED FDI THE ONLY OPTION

FDI above 50 per cent, which provides management control to the foreign investor, raises a degree of concern in terms of the impact on the national Defence Industrial Base and broader national security. There are also fears that the Indian MSMEs could lose ground if the global majors are allowed unrestricted entry into the Indian market. The Indian firms will be unable to compete with international corporations that have much deeper pockets and an established research and development base.

The Indian Defence sector has always remained a moribund sector with continued failure of the government to build a robust Defence Industrial Base. Decades of state control, restrictive techno-legal frameworks and lack of a strategic vision have ensured that India remains heavily reliant on foreign suppliers, with only 30 per cent of its Defence needs being met domestically.

Though the Defence industry was opened for the Indian private sector in 2001 and the government liberalised the manufacture of Defence equipment permitting 100 per cent investment by the domestic private sector with a maximum of 26 per cent Foreign Direct Investment (FDI) component both subject to industrial licensing, the procurement policies remained largely skewed in favour of the Defence Public Sector Undertakings. The various private sector companies,

notably Larsen & Toubro, the Tata Group, Mahindra Group, Ashok Leyland and the Kirloskar Brothers made forays into the Defence industry, however restricting their efforts to low investment and low risk opportunities often as sub-contractors and component suppliers to the DPSUs and OFBs and also to the Base Workshops of Army, Base Repair Depots of the Indian Air Force and the Dockyards of the Navy.

Uncertain 'Return On Investment'

The policy was dissuasive to foreign investors who had no management control, no purchase guarantees, no control on the resources invested and no exports rights and hence no predictive 'return on investments'. Therefore, for over a decade from April 2000 till May 2010 the Defence sector could attract less than US\$ 0.15 million in FDI, a fraction of the inflow into sectors that attract high value FDI,

namely services, computer software and hardware and telecommunications, among others.

This prompted the government to consider raising the FDI cap to 49 per cent in 2010 and 'up to 100 per cent on a case by case basis, in high technology, strategic Defence goods, services and systems that can help eliminate import dependence.' A comprehensive Discussion Paper on FDI in Defence Sector by the Ministry of Commerce and Industry also made a strong case for the FDI cap by stating that the "established global players in the Defence industry should be encouraged to set-up manufacturing facilities and integration of systems in India with FDI up to 74 per cent under the Government route." However, divergent views by the various stakeholders, industrial associations, labour unions, law firms, foreign companies and consultancy firms expressing fears of a liberal FDI policy stifling domestic industrial development and becoming a national security concern kept the proposals indeterminate.

Nonetheless, with the freeze in Defence spending in the US and Europe, India appeared a potentially attractive Defence market and despite the 26 per cent FDI cap and restrictive policies, many foreign Defence OEMs like BAE, EADS, Sikorsky, Lockheed Martin, Elettronica Defence Systems, ventured to invest in India's Defence sector forming JVs with Indian companies. Within the 26 per cent FDI cap, few JVs between Indian and global companies manifested, such as the BAE Systems – Mahindra and Mahindra, a 26:74 JV addressing multiple platforms in Land Systems; Sikorsky – TATA, a 26:74 JV dedicated to manufacture of Sikorsky S-92 cabins, EADS – L&T Manufacturing Co, a tripartite JV between EADS – L&T – L&T Holding Operating Company for EW Systems at 24.5:24.5:51; Speck – IAI, a 26:74 JV for UAVs; Lockheed Martin – TATA, a 26:74 JV for manufacturing aerostructures; ITL Electro Optics – Alpha Design Technologies, a 26:74 JV for Optronics; Elettronica Defence Systems Pvt Ltd – Alpha Design Technologies, 26:74 JV for Solid State Trans-Receiver and, Sofema Engineering & Systems Pvt Ltd – Alpha Design Technologies, a 26:74 JV for engineering, warehousing and supply of spares and assemblies for *Cheetah* and *Chetak* helicopters to HAL.

Technology Transfer Missing

While these JVs were apparently announced with much fanfare, the depth of the financial and technology inflow and manufacturing apparently has not been put into action at all. In most cases, as is understood from industry inputs, the technology collaboration agreements hinge mainly on Memoranda of Understanding (MoUs) as the singular instrument that too related to the offsets linked to contracts already signed or anticipated in the future. Conspicuously absent in these MoUs is any mention about the inflow of Defence technology which is subject to the licensing and export control rules of the originating

countries' governments. In many cases the JVs have reportedly been dissolved, such as BAE and Mahindra Defence, Nova Integrated with ELTA etc. The response of foreign companies to the FDI policy which has been in existence since 2001 has indeed been unenthusiastic and tepid to say the least.

In the absence of FDI inflows, the Indian private sector companies, especially the large business houses like Larsen & Toubro and the Tata Group, nevertheless have been involved with several Defence projects, justifiably restricting their endeavours in low investment and low risk opportunities often as subcontractors and component suppliers to the Defence Public Sector Undertakings (DPSUs) and Ordnance Factories Board (OFB). These small forays by the Indian private companies notwithstanding, since the opening up of the Defence sector in 2001 the domestic Defence manufacturing continues to remain dominated by the DPSUs and OFB which together have an 80-90 per cent share of domestic Defence manufacturing.

No Transformation

The present government led by Prime Minister Modi attempted a transformational change to attract investments from global arms majors and to widen and enhance the Indian Defence industrial complex dominated by the state run firms, by hiking the FDI cap for the domestic Defence industry from 26 per cent to 49 per cent. While the 49 per cent cap will be general rule for the Defence sector under the government approval route through the Foreign Investment Promotion Board (FIPB), 100 per cent overseas ownership will be allowed in investments which are likely to result in access to modern and state-of-the-art technology. However, such investment proposals will have to be cleared by the Cabinet Committee on Security. A few other measures were announced by the government ostensibly to attract foreign investments. The previous embargo on portfolio investments was removed and investments by foreign portfolio investors, Foreign Institutional Investors are now permitted up to 24 per cent under the automatic route. Further to encourage more domestic players to enter the sector, the requirement of the single largest Indian ownership of 51 per cent of equity has also been removed and in companies with a 49 per cent foreign holding, more than one Indian company can hold the 51 per cent share, unlike the present norm that mandates that a single Indian entity should own and control the entire 51 per cent. The lock-in period of 3 years on equity transfer has also been done away with in FDI in Defence.



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The global OEMs are clearly not much encouraged by the 49 per cent FDI cap

With these reforms, the government signalled its intention to give domestic industry a greater role in producing modern equipment with foreign investments. The government has also set aside an initial sum of ₹ 100 crore to set-up a 'Technology Development Fund' to support public and private sector companies, including small and medium enterprises, engaged in research and development of Defence systems.

However, being a composite cap, incorporating all forms of foreign investment, FDI, FII, FPI, NRI etc through the approval route and to be cleared by the Foreign Investment Promotion Board, the step has not impressed the experts and foreign investors. Far from being transformational enough to kick-start the creation of an independent local Defence manufacturing ecosystem the hike up to 49 per cent is being viewed as a cautious step.

Only Six Responses

The global OEMs are clearly not much encouraged by the 49 per cent FDI cap, as manifest in the fact that the government has got just six FDI proposals in the Defence production sector worth an insignificant ₹ 96 crore (US\$ 15.3 million) in the last seven months (see Table 1). Only two of the proposals are for 49 per cent investment by the foreign company. Amongst the Indian private companies that have applied, Punj Lloyd is the only big name, while others are not well-known and may not have the capability to set-up large-scale manufacturing units. One company, Solar Industries Ltd, Nagpur proposed an FDI of only 1.18 per cent. Other foreign fund seekers are Hatsoff Helicopter Training Pvt Ltd, Bangalore which has proposed to tie-up with Canada's CAE; ideaForge Technology Ltd has approval with a proposed foreign share of 17.04 per cent; Aequs Ltd and Fokker Elmo Sasmos Interconnection

Greater FDI will bring in much-needed capital and top-notch technology in the Indian Defence sector

Systems Ltd. Only Punj Lloyd and Aequs have sought FDI approvals for 49 per cent.

A few more proposals for JVs and FDI inflows could be expected but these are likely to happen only in procurement cases where tenders have been fairly advanced, such as the MMRCA deal etc. Potential medium-sized suppliers for these and MSMEs that expect to benefit from the offset opportunity could evaluate some options for JVs, but these proposals would have accrued even if the FDI limit was 26 per cent.

More Incentive

The new guidelines do pave the way for making the foreign investors consider India as a possible destination but anything below 51 per cent is unlikely to be encouraging enough to attract investors willing to transfer technology and make large-scale investments in capital and local skill development. For transfer of modern and state-of-the-art technology or setting up research, design, development and manufacturing base in India for such technologies, only a decisive say in the investee company could possibly satisfy a foreign investor, which implies a greater than 50 per cent FDI.

A higher FDI than 50 per cent would give control over intellectual property which is a key differentiator in the Defence sector and is often developed at great expense. Without management control of the joint ventures global companies will remain wary of not setting up base and transferring crucial technologies.

With India poised for over US\$ 120 billion on arms acquisition over the next 10 years, India needs higher FDI in its Defence industry to boost its local technological base, make the offset policy effective and derive economic benefits. The Defence Ministry expects the defence budget to grow at a compounded annual growth rate of 8 per cent to touch US\$ 64 billion



in the financial year 2020. The growth will primarily be driven by capital expenditure, the component of the Defence budget used for creation of assets and expenditure on procurement of new equipment. The government has made FDI in Defence one of its central pillars to build a strong Defence Industrial Base under the 'Make in India' policy, the absence of which places the armed forces in the strategically vulnerable position of importing 70 per cent of their hardware and software requirements.

Indian conglomerates such as the Tata Group, Reliance Industries Ltd, Larsen & Toubro Ltd, Pipavav Defence and Offshore Engineering Ltd and Mahindra Group are increasingly forging partnerships with global Defence companies and are heavily enhancing production bases and have created infrastructure required for Defence and aerospace businesses. However, these companies are yet to make a significant impact given the lack of credible and real financial and technology inflows and along with the tardy processes involved in Defence orders.

FDI As Magnet

Greater FDI will bring in much-needed capital and top-notch technology in the Indian Defence sector. Given the immense benefit of indigenisation and the key role that FDI could play in achieving that, the present policy though a step in the right direction is not sufficient and therefore needs to be revised. Subjective conditions such as modern and state-of-the-art technology, self-sufficiency in product designing and maintenance and life cycle facilities are hurdles to attracting FDI and the government could instead, bring in practical checks and balances that would help build a strong Defence Industrial Base in India through 10-15 years.

However FDI above 50 per cent, which provides management control to the foreign investor, raises a degree of concern in terms of the impact on the national Defence Industrial Base and broader national

security. There are also fears that the Indian MSMEs could lose ground if the global majors are allowed unrestricted entry into the Indian market. The Indian firms will be unable to compete with international corporations that have much deeper pockets and an established research and development base. Instead of benefitting from a JV, Indian companies may find themselves crowded out of the market.

Flexible Approach

Unwarranted as they seem they could be mitigated by a measured and calibrated approach to FDI. Instead of fixing a cap, an unrestricted FDI through a flexible approach on case by case basis, with the detailed review of each incoming investment could be adopted with 100 per cent being permitted for desirable inflows for critical technologies. The concerns of national security and management control with foreign investors could be addressed if the investments are done through government security bodies and not through government economic bodies such as the FIPB.

Unrestricted FDI in defence may be a non-traditional approach for India, but it does have its advantages such as revitalising the moribund sector. The case for unrestricted FDI upto 100 per cent primarily rests on increasing investment and the transfer of foreign technologies which will catalyse the Indian Defence industry. Experienced international firms can establish manufacturing and integration facilities in India without the fear of losing valuable intellectual property due to a lack of managerial control. This will raise the levels of technology in the sector, promote competition and boost business for ancillary domestic industries. Though domestic firms will face stiffer competition, an unrestricted FDI policy with strong government regulation for promoting and protecting organic industry development will indeed form the basis for a modern Indian Defence industrial complex. **DSA**

Table 1: FDI proposals received with Foreign Investment Promotion Board since June 2014

Indian Company	Name of the JV Company	Proposed Foreign Investment
Solar Industries India Ltd, Nagpur	FII and NRI Investment	1.18 per cent
Hatsoff Helicopters Training Pvt Ltd, Bangalore	CAE Inc, Canada	Post Facto Approval for the issue of 5,84,205 equity shares of ₹ 10 each to CAE Inc, Canada
ideaForge Technology Pvt Ltd	NRI Investment	17.04 per cent
Punj Lloyd Ltd	FII & NRI Investment	Foreign Shareholder and NRI IPO Allottees Repatriable Investment 22.79 per cent and NRI 2.52 per cent + FII-7.68 per cent
Aequs Pvt Ltd	Aequs Manufacturing Investment Ltd, Mauritius	FDI 49 per cent from existing 17.29 per cent

Source: Press Information Bureau (PIB), GoI, MoD Release dated 16 December 2014.



INTERNAL SECURITY UNDER THE NDA REGIME

The NDA government has unfortunately paid scant attention so far to building up the capabilities of the police and the paramilitary forces. It has not cared to nudge the states, not even those where the BJP is in power, to implement the police reforms. There are serious deficiencies of manpower, equipment and forensic support.

The installation of the present NDA government had raised great hopes that the internal security situation of the country would improve, that the capabilities of the police and the Central Armed Police Forces would be enhanced and that the activities of the various separatist and secessionist groups would be contained.

Have these hopes materialised? Very partially, one would say. The overall picture continues to cause concern.

Dealing With Terrorist Threat

Terrorism poses the greatest threat to the internal security of the country. There are transnational terrorist groups and there are domestic terrorist outfits. The transnational terrorists are opposed to the very idea of India. They want to destroy the country politically, economically and culturally. As

recently as December 5, 2014 while addressing a JuD congregation at the historic Minar-e-Pakistan ground in Lahore, Hafiz Mohammad Saeed said that “if India can send troops to Afghanistan to help the US, then Mujahideen have every right to go to Kashmir and help their brethren”. He went on to say, without mincing words, that “we will have to adopt the course of the Ghaznavi and Ghauri”. The domestic terrorist groups, particularly the Indian Mujahideen, have spread their network across the country.

The Al Qaeda and the Islamic State also threaten to destabilise India. Al Qaeda’s leader, Ayman al-Zawahiri, announced the formation of a new branch of Al Qaeda, Jamaat Qaidat al-jihad, to bring Islamic rule in the subcontinent. There are reports that groups and elements supportive of extremist ideology are trying to radicalise Muslim youth in the states of Maharashtra, Gujarat, Rajasthan, Uttar Pradesh, Bihar, Karnataka and Delhi. The Islamic State, according to an estimate,

has no less than about 1,000 followers in the country. Ansar-ul-Tawhid (AuT), an ultra-religious offshoot of the Indian Mujahideen, has declared its allegiance to the Islamic State.

Increasing Radicalisation

The Prime Minister has more than once said that the country would follow a policy of ‘zero tolerance’ towards terrorism. However, this bold pronouncement has not been followed by any specific measures to strengthen the legal framework. We are still saddled with the Unlawful Activities (Prevention) Act, which served its purpose over a period but is not stringent enough to deal with the grave terrorist threats confronting the country. Some countries, including UK and France, have lately taken steps to strengthen their anti-terror laws. The French Government has cut the social welfare benefits of nearly 300 jihadis who have left France to join the Islamic State in Iraq and Syria and has also started confiscating passports, imposing travel bans and blocking access to jihadi websites. In India, however, there is an attitude of complacency. One gets the uncomfortable impression that any initiatives in this direction would be taken only after a major tragedy.

The government has also not cared to define its Internal Security Doctrine or even the Anti-terror Policy. Our responses remain ad hoc, as they were in the past.

Addressing an International conference on Counter-terrorism at Jaipur on March 19,

Union Home Minister Rajnath Singh expressed his satisfaction over the fact that the influence of the Islamic State on the Indian youth was ‘negligible’ and claimed that this was due to the ‘complete integration of Indian Muslims into the national mainstream’. There is however evidence to suggest that the Indian Muslims are getting radicalised in gradually increasing numbers. This was particularly demonstrated in the response of Indian Muslims to the terror attack on *Charlie Hebdo*. Tufail Ahmad, a former journalist with the BBC, carried out a review of Facebook comments made by the Muslim youth in India on the Paris shooting and found that ‘the geography of this radicalisation in India is indeed wide, fertile and raw.’ The overwhelming responses from across India were in favour of the attackers. Hasan Suroor is also of the view that “the nature of Indian Muslim radicalisation stands dramatically transformed” and that “there is now a global dimension to it with foreign jihadi groups looking upon India as a fertile new ground for recruitment as Al Qaeda’s decision to set-up a separate Indian branch clearly shows.” Muslim radicalisation is ‘real and growing’, he concluded.

The NDA government seems to be living in denial. The ISIS has spread its influence in several states across India. Madhav Nalapat’s estimate is that their number has already crossed into the four figure range. That ISIS is already at war with India is a detail which seems to have escaped the attention of policy makers in India.

Maoist Insurgency

The Maoists pose a formidable threat over large areas of Central India, particularly in the states of Chhattisgarh, Jharkhand, Bihar, Odisha, West Bengal and Maharashtra. The Prime Minister is on record as having said:

“Maoism and terrorism are the biggest threats to our internal security. I have always advocated a zero tolerance approach to these problems. Further, we need a clear-cut legal framework to address these challenges. Regardless of what are the reasons for the people to resort to violence, our ability to deal with it should not be compromised by lack of preparedness. We can choose to deal with issues the

way we want, but our response should not be constrained by unavailability of options. Therefore, I feel that modernising our police forces and our central paramilitary forces is something that cannot be delayed any longer. We should invest to equip our security forces with modern weapons and



Prakash Singh IPS

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The government has not cared to define its Internal Security Doctrine or even the Anti-terror Policy

equipment, train them and deploy them effectively. I also feel that Maoism is a problem which has to be tackled by the Central and State governments acting in unison with complete coordination.”

The Central government and the State governments have, however, taken only cosmetic measures so far. Ten additional battalions were sent to Chhattisgarh. Road construction work in the Naxal affected regions is being speeded up. Mobile connectivity is being improved. Incentives are in the pipeline for the forces deployed in the affected states. On matters of policy, however, the only statement that one has heard is the Home Minister's declaration that there would be no talks with the Maoists unless they give up violence. This also does not carry conviction, considering that the government has no problem in having dialogue with the NSCN (IM) and ULFA in the north-east and Hurriyat in J&K.

Jammu And Kashmir

On J&K, the government made a number of bold announcements to start with. On May 8, 2014 the Prime Minister designate ruled out the possibility of meaningful negotiation under the shadow of terrorism and proxy war and declared that “there can be no talks till all this comes to an end”. The then Defence Minister, Arun Jaitley, also said on June 15 that ceasefire on the Line of Control and International border on J&K would be the biggest confidence building measure between the two countries and that ‘talks and aggression cannot go together’.

The government has, however, lately reopened negotiations with Pakistan. Our Foreign Secretary visited Islamabad. It is unclear as to what prompted this U-turn by the government. Meanwhile, Pakistan continues to facilitate infiltrations. There were two back-to-back major incidents in the recent past: In Kathua, two heavily armed terrorists, posing as soldiers in Army fatigues, attacked a police station on March 20 and killed four persons before they were gunned down and in Samba, another group of two terrorists made an abortive attempt to storm an Army camp at Maheshwara on March 21. There is no indication of any change in Pakistan's policy of promoting cross-border terror. It was however some consolation that the State Chief Minister, Mufti Mohammad Sayeed, condemned Pakistan's role in fomenting terror in India.

The NDA has also formed a coalition government with the PDP in J&K on the basis of a Common Minimum Programme. It was, however, greatly embarrassed and had a lot of explaining to do when the State government released Masarat Alam, a Hurriyat hardliner. There are differences over the withdrawal of Armed Forces (Special Powers) Act (AFSPA) also. On Article 370, the NDA had to compromise and has decided not to push this agenda for the present. There are serious misgivings whether

the coalition government would work in J&K. If it does not, the PDP will exit as a martyr. The loser would be the NDA. However, if it works, it would mean the BJP establishing itself in the frontier state, which would be a significant achievement.

North-east

In the north-east, the government has shown some clarity. It has initiated informal talks with the insurgent groups to secure a ‘lasting solution’ to the numerous insurgencies in the region. Kiren Rijiju, Minister of State for Home Affairs, has disclosed that interlocutors were holding talks with militant groups and would be given a ‘wider mandate’ to talk with all the stakeholders. Encouraging good governance and ending the isolation of the region are being given high-priority by the new dispensation. The Minister has also indicated that government was considering partial withdrawal of the Protected Area Permit and Restricted Area Permit from certain pockets of Arunachal Pradesh and Ladakh in J&K. There is however no significant initiative in dealing with the National Socialist Council of Nagaland (Issac-Muivah group), which is running a parallel government in Nagaland. The National Security Adviser's observations (October 18, 2014) are nevertheless significant: “There should never be any feeling that it (talks) is protracted. The (peace) process is the means to an end and if there is an end, which is a desired end,

it must be found in real time. There should be rule of law in the Naga insurgency-affected areas for which peace process must be completed as early as possible.” It remains to be seen how this pronouncement is translated into practice.

Capabilities Of Police/CAPFs

The NDA government has unfortunately paid scant attention so far to building-up the capabilities of the police and the paramilitary forces. It has not cared to nudge the states, not even those where the BJP is in power, to implement the police reforms. There are serious deficiencies of manpower, equipment and forensic support. Police in the states continue to be as fragile as they were during the UPA regime. There is no serious effort to reform, reorganise or rejuvenate the police forces. There are also disturbing reports about low morale in the CRPF due to hazardous and uncertain working conditions.

Maybe, the NDA government was busy with other more pressing matters so far. There is still time. It must pay immediate and comprehensive attention to improving the infrastructure and working conditions of the police and the Central Armed Police Forces, strengthen the legal framework and define its internal security policy. The expectations of the people must be fulfilled. The destiny of the country must be assured. **DSA**

The government has unfortunately paid scant attention so far to building-up the capabilities of the police and the paramilitary forces

PROMISES AND PERFORMANCE



Lt Gen VK Chaturvedi
PVSM, AVSM, SM (Retd)

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ECONOMIC STABILITY



It is felt that any appraisal of Modi's government at this juncture is premature. It is felt that a lot has been done and we need to acknowledge it. It's not a 24/7 news channel where results are expected in minutes and hours. One needs patience and confidence with the government. The aspirations are high and I am sure, give Modi three more years and results will be seen, which will enhance India's prestige many times. My confidence is based on two major parameters of Neeti (policies) and Neeyat (resolve/intentions) which are most honest and well meaning.

There is tremendous craving in the environment to analyse the performance of the present government. This is primarily due to the impatience of the affected groups, some by design and others due to high aspirations. We need to look at the issue more pragmatically, is it fair to expect miracles to happen in a year? India is a vast country, world's largest democracy with diversity of culture, religion, terrain, climate, natural resources, infrastructure, education levels and many more parameters that are not uniform throughout the country. To bring in a small change also it takes some time. Some of our most important problems like education, health, employment, farmers' plight which affect each one of us, have not been resolved, even



to a satisfactory level in the last 68 years; expecting these to be resolved in one year, is definitely not fair.

However, there is definitely a need to analyse and assess the *Neeti* (policies) and *Neeyat* (resolve and intentions) of the government to ensure that the nation moves in the right direction. Therefore, one can assess the last one year of our government on these two basic parameters. India is a vast country and to bring in reforms and changes which are felt and visible takes time.

On both the above parameters, it is felt that Modi government has done reasonably well. It is a government, which is having a long-term view and working with a clear vision. The only aim of the government is to see a developed *Bharat* where everyone is empowered irrespective of caste, creed, colour or religion and each one of us only thinks of contributing to nation building. Some of the visible achievements are:

Image Uplift

Credibility: India's image has definitely taken a big positive jump across the board. All nations today look to India with tremendous amount of respect. They look at India with a hope and feel assured that, here is a country with tremendous resources, strength both natural as well as human, yet it wants to lead by taking everyone together, with no hegemonistic designs. The developed countries want to do business with India; our neighbours accept India as their leader and look for total support both material as well as emotional. Even Pakistan and China want to have cordial relations and do not want to remain hostile anymore. It must be admitted however, that many issues remain, yet the *neeyat* today seems to be based on credibility.

Governance: There is definitely an improvement in this sphere which is visible. Apart from the decision-making, there is improvement in transparency, reaching out to people and seeking their involvement. Policies being made are aimed to provide facilities and make it convenient for the people. One can feel the changing thrust on e-governance which is exemplary.

Corruption: There is an implicit move in the direction to reduce corruption, which is being felt. Today the money is not going to the incorrect hands; it's going to government treasury and each pie is being accounted for. Technology has been introduced in a big measure to ensure prevention of leakages; DBT (Direct Bank Transfer) for LPG subsidy is a case in point. *Jan Dhan Yojna* to get bank accounts opened for more than 12 crore people is another example. It's only a matter of time when MGNREGS amount and other subsidies to farmers will also be transferred to such account, thus reducing middlemen totally.

Economic Stability

Economic Revival: This is one parameter on which Modi government needs to be extra complimented.

Despite a weak monsoon last year, natural calamity in J&K, the economy is on the upswing, investors' confidence is enhanced and ease of doing business is improved. 'Make in India' campaign is beginning to see results, even Moody's grading has changed to positive. All these indicators have helped to ensure Indian economy moves forward. It's only a matter of time when S&P and other rating agencies also improve their gradings in respect of Indian economy. The inflation has been controlled and brought to a satisfactory level, prices of essential items, by and large have remained stable.

Railways: For the first time since independence, the thrust is on capability building, improving facilities, passenger comforts and safety requirement rather than on popular measures. It's a big change. There is a need to appreciate the efforts of our Railway Minister to delegate financial powers to General Managers and below. This will not only bring in transparency but also improve efficiency and reduce corruption. One can't fathom the reason why these powers were centralised a few years back.

Infrastructure: Development is not possible till infrastructure is developed. Communication to include rail, road, water etc needs to be developed to ensure establishment of industries, hospitals, schools, habitation etc. Lot of work has gone in this field; however, a lot more needs to be done. Land Acquisition is one major issue in this respect. Opposition to Land Acquisition Bill will remain as it serves the political interest of some of the political parties/organisations. However, Modi government's success in this aspect will be gauged by the manner in which they can convey the intentions (*neeyat*) to the common man. The bill in itself has no major anti-farmer clauses now left and in its present form is for the betterment of people and country at large.

Power Generation and Energy Requirement: A lot of work in this field has been done and a lot more will have to be done to ensure adequate generation of energy takes place. When development takes place and planning is done, each and every requirement is generally not visualised; there is therefore a need to cater for 125 per cent of the energy requirement and plan for it, so that future technological development and other non-essential requirements today (which later become essential) are catered for. Need for developing energy based on nuclear technology is paramount. All types of energy to include solar, thermal, hydro-electric, waste management and nuclear must be given a thrust. Measures to reduce energy consumption without reducing effect like LED must be made popular. In the interim these may even be subsidised.

Modernisation Of Armed Forces

No country can develop till it is strong militarily. Hence Modi and the Raksha Mantri are giving the desired thrust in this vital field of national

No country can develop till it is strong militarily

There is a need to control the middlemen who make the most profit

security. Some visible effects are:

- Decision-making in the armed forces has definitely improved.
- Need for reducing the procurement cycle is still there. The procurement cycle is too long and needs a surgical operation. No policy can be made on the basis of 'distrust'; however checks are required which must be instituted.
- Need for integration of MoD is paramount. The government must institute the appointment of Chief of Defence Staff (CDS) at the earliest for better cohesion and efficiency. It must be ensured that it should not be a figurehead but must be effective.
- Aim is not to use the armed forces at drop of hat or threaten anyone but to ensure peace and stability in the region and ensure that your voice is taken seriously in the regional and global affairs.

Cultural Heritage: There is a lot of criticism of Modi government that they are laying too much stress on this aspect. It is strongly felt that culture is the bedrock of a nation which gives it the 'identity'. One must take pride in its culture, dress, language, traditions etc. This brings in pride in oneself. The government therefore is only in the right direction. We have such a rich culture; we can give something to everyone in the world. We need to really develop our cultural heritage, sites and history to really showcase our country.

- It will be generally questioned from above that nothing is seen on the ground; my only 'take' on this is that it takes time. We need to give Modi some time to implement things, results will soon be visible.

Room For Improvement

There are a number of issues on which a lot needs to be done. These are important issues which are felt by the common man day-to-day. The government needs to move on a faster pace to ensure these are given the due thrust. Some of these important issues are:

Education: Most important parameter for capability building of human resources is education. There is a need to provide basic education to all, especially women more so in North India. Creating more educational institutes through private individual is not the answer. We need to establish good schools like *Kendriya Vidyalayas*, Army Schools, *Navodaya Vidyalayas* etc on priority. Ideally a cluster of 5 to 10 villages must have one such school. Let education not become a business. This trend must stop. Education is considered as an essential requirement of life like water and oxygen and must be provided by the government free of cost or at minimal fee (affordable by the poorest) to all its citizens.

Health: This is the second most important parameter which should be the government's responsibility. To provide health facilities, one needs infrastructure, more doctors, paramedics, medicines etc. We need to create these; it should be a long-term vision. One 'state-of-the-art' hospital along with a Medical College,

Dental College, Ayurveda College, Homeopathy College in a cluster of 2 to 3 districts (depending on population) must be created. Some of them based on priority, in backward areas should come up in next two to three years. Private hospitals are only for the rich. Modi's image for pro poor will get a real boost if quality education and health is provided to poor at the earliest at their doorsteps. Modi needs to spend maximum social security funds on education and health spread across the country especially for the betterment of poor.

Employment Generation: This affects the youth 20 to 30/35 years of age. Our large percentage of population today is in this bracket. Technological developments, infrastructural developments, 'Make in India' project, skill development, giving incentives to small scale industries and creating markets for their goods is need of the hour. There is an urgent need to give priority to this very important aspect. There is a need to create approximately 50 to 60 lakh jobs/entrepreneurial opportunity per year to ensure a visible change.

Agriculture: This is one field where governments since independence have failed us. A farmer with small holdings comprises almost 80 per cent of total agricultural farmers and unless he gets adequate compensation for his products, he can never come up and his quality of life can never improve. There is a need to control the middlemen who make the most profit and a farmer who does hard work gets miniscule compensation. Community farming or cooperatives where farmers also have a stake, may be the answer.

Modi will need to look into this and not let the rich exploit the farmers.

Affordable Housing: This is another field where necessity of visible impact is paramount. Such affordable housing must come in every small town and village with basic amenities like water, power and toilets. The progress so far is slow.

In conclusion it is felt that any appraisal of Modi government at this juncture is premature. It is felt that a lot has been done and we need to acknowledge it. It's not a 24/7 news channel where results are expected in minutes and hours. One needs patience and confidence with the government. The aspirations are high and I am sure, give Modi three more years and results will be seen, which will enhance India's prestige many times. My confidence is based on two major parameters of *Neeti* (policies) and *Neeyat* (resolve/intentions) which are most honest and well meaning. The government is functioning to enhance the prestige of the country and provide the best to our people. Modi is a dedicated and committed man whose only aim is to take the country ahead. The country has given a mandate to fulfill promises over five years, why are we wanting a completion report in one year? This is time to see whether 'nation' is moving in right direction. I am more than confident, it is; I wish Modi the best in his pursuit for *Ek Bharat Shreshtha Bharat*. **Jai Hind!**



THE YEAR GONE BY

WHAT MORE FOR INDIA'S DEFENCE AND SECURITY?

The year 2014-15 has been marked as a year of hope and optimism for the defence and security sector in India. The Modi government has created a positive mood by emphasising modernisation and capacity building of the armed forces, reviewing policies for fast-tracking the same and working towards an enabling environment. Defence and security of a country like India which is located in a troubled neighbourhood with multiple internal and external challenges is a bottomless pit. Thus despite the achievements there are many things that will remain on the agenda for the coming year.

May 2014 was beginning of a new era in India's political history. Breaking away from decades of shackles of coalition governance, the Bharatiya Janata Party led by Prime Minister Narendra Modi won an absolute majority in the Lok Sabha elections. The impact of the victory was evident within hours as calls from the global capitals from Washington to Moscow, Tokyo and London congratulating Modi poured in. China sent the Foreign Minister Wang Yi, the first foreign envoy to visit Delhi after the BJP led National

Democratic Alliance (NDA) government took office on 26 May. The neighbourhood also responded very positively with leaders of all South Asian Association of Regional Cooperation (SAARC) countries joining the oath-taking ceremony of the Modi government. This included Prime Minister of Pakistan Nawaz Sharif who attended despite, as reports indicated, negative vibes from the Pakistan Army.

As the new government took office, there was hope of improved governance particularly in the defence and security sector given the exposure of debilitating weaknesses particularly in terms of hollowness

of weapon systems and equipment in the armed forces and lack of firm political direction. The BJP's conservative nationalism reflecting the Republicans in the United States was anticipated to give a new fillip to national security management. The opening moves of the government were promising. Prime Minister Narendra Modi set the tone on his first visit to *INS Vikramaditya* to formally induct the gigantic aircraft carrier in the Indian Navy. This was followed by other indigenously built ships like the *INS Kolkata* and *Kamorta*. Freehand was given to the Army and the Border Security Forces on the Line of Control and the International Border with Pakistan in the event of ceasefire violations by the other side. This enabled a proportionate and calibrated response which sent the right signals that the government was prepared to respond in strength.

On the policy front increase in the FDI from 26 to 49 per cent was a welcome step, even though foreign majors were not enthused, but this was good for starters. There was also a flurry of new announcements made such as identification of a restricted defence products list for licensing, Defence Exports Strategy and Security Manual with focus on liberalisation of the defence sector and expanding market opportunities. A revision of Defence Procurement Procedure (DPP) is expected to further increase transparency and ease of doing defence business. The private sector has also been energised expecting a level playing field in the monophony that is dominated by the government and the public sector. The long list of reforms required in the defence and security sector denotes that more could have been done, issues that can well be taken up in the coming year as indicated in the succeeding paragraphs.

Modi's laudable mission of indigenisation has been transcribed as Make in India in Defence

Operational Issues

Strengthening Counter-infiltration Grid: The twin attacks in Kathua and Samba in March 2015 have underlined the weaknesses in the counter-infiltration posture particularly in the Jammu sector. Pakistan sponsored terrorist groups such as the Lashkar-e-Taiba have been able to infiltrate radical suicide bombers, through this route in the past. While the routes of infiltration mainly the numerous nullahs and streams are well established adequate measures to block the same have apparently not been taken. Therefore, it may be necessary to take remedial measures as a priority in the coming year.

Strengthening Surveillance Grid on LAC: Surveillance along the Line of Actual Control (LAC) which is the working boundary for now with differing perceptions between India and China needs to be strengthened. This will facilitate pre-empting attempts by the People's Liberation Army (PLA) to transgress the Indian side of the LAC. This will also facilitate proactive action and prevent the stand-offs that have occurred in the past two years. With Prime Minister

Modi due to visit China in May, another attempt to raise the heat on the LAC by the PLA could be anticipated. Thus beefing up ground, air and spaceborne surveillance resources will prevent an embarrassment and dilemma that inevitably follows such incidents.

Surveillance of the IOR: With Prime Minister leading the way in commissioning coastal radar surveillance systems in Seychelles in March, there is progress in over the surface enhancement of observation of the critical areas of IOR. However, there are gaps particularly in the Maldives atoll as well as underwater which need to be covered in the coming years. The fact that a Chinese submarine could enter the IOR was revealed only once it docked in Colombo. Thus, the underwater anomalies also need to be overcome.

Undersea Warfare Capabilities: The Indian Navy's operational deficiency of undersea warfare has been well established with 13 conventional and one nuclear submarine filling up for a requirement of 25. Leasing of another nuclear submarine from Russia may have been a fast-track measure to fill up this void which needs priority in the coming year.

Fast-tracking 17 MS Corps: While 17 Mountain Strike Corps has been raised the same needs to be fast-tracked to enhance the level of deterrence *vis-a-vis* China. The pace of raising appears to have slowed down of late with lack of allocations of resources for the same. Apart from raising the manpower there is a need to accelerate the pace of weapons and equipment infusion to bring the formation up to full strength the soonest.

Organisational Issues

Jointness in the Armed Forces: Jointness is an essential facet of organisational efficiency and effectiveness in the armed forces. This can come about with increased integration with a simultaneous top-down and bottom-up approach. Prime Minister Modi is a great votary of integrated functioning not just between the central ministries but also between the centre and the states. Comparative study of integration in other countries including the United States of America shows that jointness in the three Services, the Army, the Navy and the Air Force is achieved only through a firm political direction. Hopefully, the Modi government should be able to provide the same in the coming years so that the silo-based functioning of the Services becomes a thing of the past.

Chief of the Defence Staff: It has been frequently argued that the first requirement for achieving



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THE 8th INDONESIA'S NO.1 SECURITY INDUSTRY EVENT

Inter-Services jointness is nomination of Chief of the Defence Staff (CDS). This is debatable, but the necessity of a CDS is undeniable. Some reports indicated that the government is contemplating nomination of a permanent Chairman of Chiefs of Staff Committee. This measure was anticipated and is hoped will happen in the coming year.

Integration of Defence Services and MoD: Integration of Ministry of Defence is another major organisational lacunae. This should be overcome on priority and measures towards the same by posting Service officers in appointments held by civil service officers and vice versa are hoped for in the coming year.

Defence Finance

Resource Accretion: The Defence Budget has been the most disappointing facet of the Modi government's performance report for the first year. There has been no year-on-year accretion in the Capital budget for procurement of equipment and assets of a permanent nature in the defence services from Budget Estimate 2014-15 to 2015-16 have remained static at ₹ 94,588 crore. The estimated projections of the three Services for procurements alone are ₹ 1,40,000 crore. Thus, there is a major deficiency in the same to the tune of ₹ 60,000 crore, which could have been well avoided and a pragmatic allocation is hoped for in the coming year. Parliamentary Standing Committee on Defence has also come out strongly against the shortfall between projections and allocations for procurement by the Services.

The threat of radicalisation particularly through mediums like the Internet and social media has been highlighted

Linkage Between Allocation and Capability: A linkage between the allocations made, expenditures incurred and capabilities acquired should be made so that there is a clear visibility of the level of dominance or deterrence that is achieved with our main adversaries; this exercise may be classified. However, linking the budgetary allocations with the capabilities achieved, a view of the present potential and deficiencies in the armed forces should be available to the Cabinet Committee on Security (CCS), the Prime Minister's Office (PMO) and the Ministry of Defence (MoD) on a yearly basis so that necessary adjustments in budgetary allocations can be made.

Fillip To Defence Modernisation

Reforming Defence Procurement: A number of recommendations for reforming defence procurement have been received from time to time and these have been well received by the Ministry of Defence. A revised Defence Procurement Procedure (DPP) is anticipated which should incorporate these recommendations as relevant to facilitate defence acquisitions in a timely, transparent manner exercising due economy while sustaining the objective of indigenisation.

Fast-tracking New Schemes: While Ministry of Defence has been quick in approving Acceptance of Necessity for acquisition proposals that are said to be over ₹ 100,000 crore, new schemes have languished. Except

for the *Rafale* MMRCA where an innovative decision has been taken which as some sources state was at the initiative of the Prime Minister's Office (PMO), others such as, small arms and the *Dhanush* 155 mm Gun for the Army, Fifth Generation Fighter Aircraft (FGFA), *Apache* Attack Helicopter or Aerial refuellers have not moved forward. It is nobody's case that contracts should be signed in a hurry or without completing all the formalities, but there is a need to adopt a time-bound approach with onus on both sides the Ministry of Defence and the OEM to meet obligations. This needs consideration in the coming year.

Defence Production

Make in India in Defence: Prime Minister Modi's laudable mission of indigenisation has been transcribed as Make in India in Defence. There is more traction required with a definitive road map to outline how this will be achieved by the three main arms of defence production – government that is Ordnance Factory Board; public – Defence Public Sector Undertakings and the private sector to include both the large players and MSMEs.

Level Playing Field: Despite many recommendations and the government's inclination to support the private sector as an engine of growth in defence production few measures have been taken in establishing a level playing field in terms of information available, research and development support, tendering and taxation. This hopefully receives greater attention.

Internal Security

Countering Radicalisation: The Year 2014 marked the emergence of radical militias like the Islamic State (IS) which have taken brutality to new levels. India has been marginally affected in terms of attracting few youth estimated to be from 10-100 to join the IS. However, the threat of radicalisation particularly through mediums as the Internet and social media has been highlighted. Effective measures are required to contain this phenomenon by adopting measures that are credible, socially acceptable and legally tenable in the coming year.

Year Of Expectations

The year 2014-15 has been marked as a year of hope and optimism for the defence and security sector in India. The Modi government has created a positive mood by emphasising modernisation and capacity building of the armed forces, reviewing policies for fast-tracking the same and working towards an enabling environment. Defence and security of a country like India which is located in a troubled neighbourhood with multiple internal and external challenges is a bottomless pit. Thus despite the achievements there are many things that will remain on the agenda for the coming year some of which have been highlighted in the preceding paragraphs. **DSA**



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G2G DEALS THE STORM WITHIN

Defence Minister Parrikar has sung praises for the concept of G2G and has promised to channelise more Indian imports from abroad through the Foreign Military Sales route. None of the major imports from the US so far – the *C-17 Globemaster*, the *Super Hercules* and the *Poseidon* maritime surveillance and strike aircraft – have been under the ‘Make in India’ format and are bereft of any technology transfer. To this can be added the *Rafale* The very political party that milked the presence of middlemen and agents in the *Bofors* deal for all its political worth is preparing to legitimise the presence of these agents in the contract system.

The word *Rafale* in French means a storm or a heavy gust of wind. When Prime Minister Narendra Modi and his Defence Minister Manohar Parrikar pulled the rabbit of 36 *Rafales* in flyaway condition out of the hat it was sought to be justified by a lower cost per aircraft because of the Government-to-Government (G2G) nature of the deal. The storm that the deal raised was not about the cost per aircraft but the future of Modi’s flagship

‘Make in India’ project. ‘Make in India’ implied the transfer of technology to an Indian partner. It had the potential of infusing technologies and techniques into other spheres of military endeavour, raising India’s defence capabilities to a higher-level. That requirement in the contract has been lost to the nation.

Critical Input Lost

One reason why the French company Dassault’s product was chosen was that it incorporated in

its engine a technology known as ‘single crystal’ turbine blades which are admirably strong in the high pressure, high temperature conditions within the compressor chamber of fighter aircraft engines. India has been having trouble with the *Kaveri* engine that was produced indigenously to power the home-made *Tejas* light combat aircraft. The *Kaveri* engine was afflicted with a tendency to ‘spit’ compressor blades thereby causing immense damage to the entire engine. That was one of the reasons why it had to be replaced with the American *F404-GE-F2J3* engine in the prototype stage and with the more powerful *F414* for the serial production stage. The failure to deal with the compressor blade problem in the *Kaveri* engine for the Light Combat Aircraft has resulted in overdependence on the Americans for one of the most crucial components for the ‘indigenous’ fighter aircraft.

Back To Dependence

India has placed orders for 99 of the *GE414* engines for the *Mk-2* version of the *Tejas* aircraft and there is talk that the *Kaveri* engine is to be scrapped but the core named *Kabini* will be developed for use in unmanned aerial vehicles. The economic cost of shedding the project can easily be calculated by math geeks but the nation will be paying a high political cost for overdependence on the Americans for crucial military equipment. The chance to retrieve the full potential of the *Tejas* light combat aircraft through the *Rafale* contract with the French has been further delayed indefinitely.

Defence Minister Parrikar has sung praises for the concept of G2G and has promised to channelise more Indian imports from abroad through the Foreign Military Sales route. None of the major imports from the US so far – the *C-17 Globemaster*, the *Super Hercules* and the *Poseidon* maritime surveillance and strike aircraft – have been under the ‘Make in India’ format and are bereft of any technology transfer. To this can be added the *Rafale*. India’s decision to lay the foundations of a viable military industrial complex began with licensed production of foreign aircraft, tanks, guns and ships. The intention was to first attain a modicum of ‘self-reliance’ where impromptu embargo on supplies would not significantly affect India’s defence preparedness and sovereignty of action in other fields like the use of the atom because the know-how was available. From that level India was supposed to build on the acquired technologies in the Defence Public Sector Undertakings, laboratories and factories. When Dr VS Arunachalam was Scientific Adviser to the Minister of Defence he gave coinage to the word ‘leapfrog’ technology to reach a level of ‘self-sufficiency’ in military wherewithal. It was during his tenure that the risky concurrent development of indigenous tanks and engines and aircraft and engines was begun. At least one defence analyst had warned that this manner of attaining

self-reliance by building a chassis/airframe without proven and high-powered engines was fraught with the possibility that if the indigenous engines failed to produce the desired thrust-to-weight ratio the whole project would force the nation into a state of dependence on foreign supplies once again. That is exactly what has happened.

Suborned Systems

The very projects that were meant to lead the country through licensed production and competence building and ‘leapfrogging’ technologies to a state of self-sufficiency,

where no foreign arms manufacturer could put commercial or

political pressure on the government of the day, became the Trojan Horses for the induction of foreigners into our very lucrative military bazaar. The very political party that milked the presence of middlemen and agents in the *Bofors* deal for all its political worth is preparing to legitimise the presence of these agents

in the contract system. If the aim is to get rid of corruption in defence deals, all one can say is: You ain’t seen nothing yet! Kickbacks are part of the political culture of the developed world. As long as you do not get caught, you can get away with the whole caboodle. Indian Government attempts to show transparency in defence deals was turned into a farce with allegations of wrongdoing against the winning party or by leakage of documents, thereby delaying the project and causing cost escalations and intricacies in calculations that eventually made the *Rafale* deal too complicated to complete. Hence the G2G shortcut.

No Bed Of Roses

The G2G in relation with the US has its own dangerous pitfalls. The transactions are covered by American laws – the Logistics Support Agreement (LSA), the Communications and Information Security Memorandum of Agreement (Communication Interoperability and Security Memorandum Agreement) (CISMOA) and the Basic Exchange and Cooperation Agreement (BECA) – are the tools of an imperialist nation to safeguard the wherewith of its military strength from being misappropriated. Close American allies have signed these agreements without demur as is natural among birds of one feather. But India, a leader of that ‘disgusting collective’ known as the ‘Non-Aligned Group’? It is no secret that even where its close allies have signed these documents friends like Australia and Britain have had the



Cecil Victor

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The G2G in relation with the US has its own dangerous pitfalls

sensitive equipment on weapons platforms supplied by the Americans under these laws covered with tamper-proof black boxes to ensure that the technology does not proliferate!

Pitfall Of Interoperability

India bought the *Poseidon* maritime surveillance and strike aircraft, the *C-17* heavy lift aircraft and the *C-130J* Special Forces' vehicle under the G2G agreement which attracts the LSA, the CISMOA and the BECA. Were these laws waived? That would be a major diplomatic coup. If not, we may have pawned our self-respect if the Americans decide to do intrusive inspections in our military bases where these platforms are based. If these platforms have been acquired on the basis of a promise of a concept called 'interoperability', India faces the risk of being unwillingly dragged into the many regional conflicts instigated by the US and its allies in West Asia and the Middle East where traditional inclusive human relations have been the bedrock of connectivity with the peoples and governments of this region. It is a measure of the dangers inherent in the concept of interoperability that even Pakistan – that mother of all the 'front line' states – has shied away from sending its military contingents to fight the Shia Houthis of Yemen on their own turf.

It needs to be recalled that even as India was buying these high-priced weapons platforms from the US, its officials were operating under their own rules which included intrusive searches into persons of Indian origin. Thus the Khobragade case erupted even as a burgeoning military relationship was blossoming. That it was very embarrassing for the Government of India is an understatement. The thought uppermost in Indian minds at the time was: What kind of 'special relations' is this?

Dynamics Of Diversification

In the aftermath of the Chinese aggression of 1962, Indian efforts to secure Western military hardware were stymied by offers of an alternative option of a nuclear umbrella over India. The US did supply surveillance radars and training facilities but no hardware. The British gave us the Folland *Gnat* assembly line (which, as in the case of the *Rafale* was heading for closure in the absence of international orders). It was the Russians who wholeheartedly supported India with all kinds of weapons required for national defence and territorial integrity. Eventually the Soviets (till 1990) controlled nearly 80 per cent of the Indian military market. It can be credited to its geopolitical farsightedness that the transfer of technology included top-grade technology, the most recent of which is in the form of inputs in the miniaturised nuclear reactor for the *Arihant* class of SSBN (ballistic nuclear missile) even as the rest of the world was ostracising India for its

nuclear device test of 1974 and nuclear weapons tests of 1998. With the collapse of the Soviet Union, the successor nation state, Russia, was unable to maintain the edifice of maintenance and spare parts supplies because many of the military factories were distributed among the successor Commonwealth of Independent States including the currently war-torn Ukraine. Relations soured somewhat by the manner in which the Russians milked the *Gorshkov (Vikramaditya)* aircraft carrier deal to extract more than double the initial projected cost of refurbishing the vessel.

In India voices were raised to diversify sources of supplies of military equipment and, given the inflammation of hostilities by Pakistan India bought the *Jaguars* from Britain (allegations of kickbacks surfaced) and off-the-drawing board purchase of the French *Mirage 2000*. The two aircraft fulfilled the deep penetration strike capabilities required to be able to reach military infrastructure in depth in Pakistan. But the plethora of specific role Russian aircraft caused huge inventory problems. It initiated the process of seeking multi-role aircraft capable of both dogfight in the air and surface interdiction. The move to buy the medium multirole combat aircraft (MMRCA) was born out of this necessity.

In India voices were raised to diversify sources of supplies of military equipment

Food For Thought

Here is something Indians ought to chew upon. In the early 80s a US National Science Foundation study gained currency. It had calculated that buyer nations subsidised the research and development and production of weapons platforms in developed economies by as much as 15 to 20 per cent of weapons systems of arms producing nations. In their eagerness not to reinvent the wheel, foreign buyers tend to pay inflated rates to the original equipment manufacturers. At the prevailing prices of the early 80s it was calculated that for every ₹ 1,000 crore of military equipment India was subsidising foreign laboratories with between ₹ 150 crore to ₹ 200 crore. In the 80s, by this calculus, India had subsidised foreign laboratories to the tune of between ₹ 6,000 crore to ₹ 10,000 crore over a period of a decade. According to the Stockholm International Peace Research Institute the Indian Armed Forces placed orders worth nearly ₹ 84,000 crore from 2011 up to 2014-15. The subsidy for foreign defence laboratories would work out to between ₹ 12,600 to ₹ 16,800 crore. Given that ₹ 12,600 crore went unspent last fiscal year there was clearly enough to help finance defence research and development both in the public sector as well as in selected private sector defence related laboratories. Not that they would immediately produce the desirable results in terms of viable weapons systems but the concept of public-private participation could have received a much-needed boost. **DA**

INDIA HOMELAND SECURITY PRESENT SCENARIO

India should not be swayed by Western politicians or the sometimes biased Western media with regard to Islam, the Muslim world and Pakistan threats and how they pose high-risks for India and how the West can assist in protecting India by supplying overvalued obsolete military and defence equipment.

The ever-increasing terrorism acts in the Western world are the direct result of Western political decisions like regime change and the interference in the internal affairs of the nations of the Middle East. This presents a dilemma for India: Should it toe the Western line (as in the case of the embargo against Iran from where it buys a large portion of its energy requirements) or improve relations and trade factors with nations in a region with a history of immensely cordial relations between the governments and people of the Middle and West Asia?

Or does India take sides and agree with the USA/UK foreign policy which is mainly against the rulers and people in Syria, Egypt and now Yemen? Does India increase mutually beneficial trade and peaceful growth with Russia/China/Iran and other peaceful nations in the world? The decisions that the present Indian Government makes will have a lasting impact on the future growth and inner security/stability of the country. The people who



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FOR THE LOVE OF THE COUNTRY
The Indian Army, Navy and the Air Force are actively promoting the forces to young men and women as a great organisation to work for

#FreePalestine
We know too well that our freedom is incomplete without the freedom of the Palestinians.
- NELSON MANDELA -
Palestine belongs to the Arabs in the same sense that England belongs to the English or France to the French. It is wrong and inhuman to impose the Jews on the Arabs.
- MAHATMA GANDHI -



will suffer will be the law-abiding Indian citizens and the NRI communities living throughout the world as they may/could be displaced from their workplaces as has just happened with the evacuation of Indians in the war-torn Iraq-Syria salient and the Yemen conflict.

The consequences of such externally instigated conflicts eventually affect the brave Indian Army, Air Force, Navy and Indian Police who will have to deal with the aftermath of such foreign interventions along the Indian periphery. They will bear the brunt of deviations of Indian foreign policy on its western flank. An example is that of the issue of statehood for Palestine. Because of burgeoning military sales arrangements with Israel, India appears to have toned down its diplomatese in the face of the severe actions that the Israelis have unleashed in the Gaza Strip.

The present Indian Government and politicians need to remember the fact that India was the first non-Arab country to contemporaneously recognise the Palestine Liberation Organisation's authority as 'the sole legitimate representative of the Palestinian people'. A PLO office was set-up in the Indian capital in 1975, with full diplomatic relations established in March 1980. In return, India opened a Representative Office in Gaza on 25 June 1996. Indian support was said to extend to 'consistent and unwavering support' on the Palestinian issue, where it shared the perception that the question of Palestine is at the core of the Arab-Israeli conflict.

India has thus consistently supported the legitimate right of the Palestinian people to a State and the consequent imperative need for a just, comprehensive and lasting peace in the region based on United Nations Security Council resolution 242, 338 and 425 as well as the principle of 'Land for Peace'.

Mahatma Gandhi, who peacefully gave India freedom with values of justice and international fair play expressed himself thus: "Palestine belongs to the Arabs in the same sense the England belongs to the English or France to the French. It is wrong and inhuman to impose the Jews on the Arabs". The present Indian Government and politicians need to go back to their roots and value principles of truth and peaceful coexistence.

Porous Borders

India has very porous borders. Nepalis are abounding in wealthy suburbs in India and so are the Bangladeshis. Most of these migrant domestic workers have managed to acquire permanent account numbers, Aadhaar cards and bank accounts in India based on the addresses of their employers in India or of their relatives, who have settled in India. Thus, these migrant workers move freely to and from their native lands into India without suspicion. This, *prima facie*, may not appear of intelligence relevance; however, if we replace migrant workers with sleeper mode in terror cells then this entire situation proves to be a national threat.

Terror outfits have their forward operating bases in Nepal and Bangladesh. In recent times, ideologues from the banned Students Islamic Movement in India (SIMI) and masterminds of the Islamic movement commonly referred to in India as the Indian Mujahideen or IM for short have been nabbed moving along the Indo-Nepal border. Additionally, weapons shipments through *hawala* networks operating through Bangladesh and Nepal have been intercepted in recent times. Further, funds flowing from neighbouring Pakistan through Arab nations into India have been traced to the *hawala* networks as well. The arms and funds from across borders into India using the *hawala* networks were and are intended to create havoc in India causing large casualties in order to instigate fear and disrupting normal life. Although risky, many fundamental Islamic fighters easily find their way across the porous Indian border in J&K, Punjab and Rajasthan. Foreign funding of these terror troops will add extra strength for these cells and they can be activated at any time.

The Red Menace

The Red Corridor of India is a belt along which the Naxal Movement is rampant. The name Naxal is derived from the meeting of the Communist Party of India (CPI) in Naxalbari, where the CPI (Marxist-Leninist) and the CPI (Maoist) mutually agreed to combine forces and not interfere in the Islamic upsurge at the time in India. The reason for acceptance of the Islamic upsurge was simple; both the Islamic upsurge and the CPI wanted to overthrow the central government in India and rid India of imperialism.

Both the CPI and the Islamic movement in India were insurgencies inside India. The CPI (Marxist-Leninist) and (Maoist) later became the left wing political party in India. However, the below poverty line members of the Communist Party in India felt left behind and so together with the People's Liberation Guerrilla Army (PLGA), which was supported mainly by the poorest of the rural population and the common man in 83 districts in nine states, they formed the Naxalite movement that glues them to their roots in Naxalbari.

The nine states include those between Maharashtra and West Bengal; Karnataka has been dropped from the list of affected states. The Naxalite movement has thrived on kidnappings and extortions mainly. In recent times, they have hijacked trains and attacked paramilitary forces operating in and around the Red Corridor from where they have acquired riches and weapons. In case the borders of India were not easy to penetrate, then, communism, socialism and the Islamic movement in India would be moot; India would be safe, sound and secure beyond its borders.

Islamic Upsurge In India

The Islamic upsurge around the globe is a demonstration of intolerance towards religious freedom. The insurgent

radical Islamic Movement in India can be traced to the Students Islamic Movement of India (SIMI), which in 2014 was estimated to have national presence throughout India with financial and ideological support from Saudi Arabia, Kuwait, Pakistan, Nepal and Bangladesh. In fact, SIMI is said to actively recruit for Harkat-ul Jihad al-Islami Bangladesh (HuJI-B) from Uttar Pradesh to West Bengal. The SIMI is also believed to have networked with JEL, HM and ICS. It has ties with LeT, JeM and ISI across the border in Pakistan. SIMI was founded by a Western Illinois University professor in the USA in 1977 and until 1981 this outfit was in bed with JIH. Then, there was a falling out over support for the PLO in the Middle East.

Today, SIMI operates 3,000 or more Islamic schools in Maharashtra alone with over 200,000 students. In the Northeast, apart from the Islamic Study Centres and libraries, SIMI has founded its own political party called the Indian National League (INL) from which platform it promotes its representatives. This is also the situation in West Bengal.

The objectives of SIMI are to govern human life on the basis of the Holy *Quran*; propagate Islam and wage jihad for the cause of Islam. SIMI looks to establish a Shariah-based Islamic rule in India converting from idol worship to Islam. In the eyes of SIMI, any other religion outside of Islam is idol worship. The intent of SIMI is to re-establish the 'Khalifath' with an emphasis on the 'Ummah' or the Muslim Brotherhood.

Jihadi Networks

SIMI has been banned in India and its leadership is on the run; in hiding or across the borders in Pakistan, Nepal or Bangladesh. Although India might feel SIMI is no longer a major terror outfit in India, many Islamic Indians in the Middle East, Europe and the Americas covertly support SIMI and its objectives in India.

The Islamic Movement of India (IM), which is commonly referred to as Indian Mujahideen is a derivative of SIMI (a banned terror outfit in India). If the 'S' at the beginning and the 'I' on the end of SIMI are dropped then, the remainder is IM and IM in the SIMI context stands for Islamic Movement. Like SIMI, IM holds the highest regard for Osama bin Laden as well.

The IM absorbed some of the SIMI ideologues, but members of IM are largely educated and experienced professionals unlike SIMI. Perhaps this is the reason many heavyweights from the SIMI outfit are in custody with the Indian authorities today.

India's foreign relationships and business support for Western countries/Western politicians will impact India and its future in Asia and within its own borders. The Indo-Israeli relationship has to be reviewed without any bias. Does the Indian Government led by Narendra Modi want to embarrass itself by strengthening ties with the Israeli Prime Minister, Benjamin Netanyahu who himself expressed "We are benefitting from one

thing and that is the attack on the twin towers and Pentagon and the American struggle in Iraq". The fact is that even the ex-Mossad chief, Meir Dagan, publicly expressed "The person causing the most strategic harm to Israel on the Iranian situation is the Prime Minister". While the USA President, Barack Obama himself expressed "Nobody is suffering more than the Palestinian people".

Historical Stand On Palestine

India cannot keep showing support for Israel and its harsh measures in Palestine while cutting aid and support for Palestine even on a humanitarian level. India's 1st Prime Minister, Jawaharlal Nehru expressed his views: "Without peace, all other dreams vanish and are reduced to ashes". India wants peace with all as the country grows and prospers in the 21st century.

This can be achieved by being more selective in its foreign relations and support of causes that are more in tune with unbiased justice that shows the world that India is truly a super power in more ways than one. India was not given freedom and Independence to support acts of terrorism or condone violence in the Middle East or anywhere else in the world.

Another great man to have graced this earth, Nelson Mandela, said "We know all too well that our freedom is incomplete without the freedom of the Palestinians". India can decrease its security risks and inner conflicts by bracing more hi-tech products and the new educational training courses that take into account the previous information warfare tactics used by some Western governments/Western agencies who have fanned the flames of terrorism around the world. Lessons that have to be studied in depth. To be able to decrease the foreign funding of terrorism in India to the existing groups within the borders, India's governmental foreign policy actions will have to be re-evaluated.

A new age of Information warfare dawns that decreases terrorism and not fanning the flames of terrorism and the 'precise' utilisation of these tactical meta modules will be the key to defeating enemies of India be they living inside the borders or anywhere else in the world. India is free and will remain free on its own terms as the people decide with unified focus especially during election times.

India should not be swayed by Western politicians or the sometimes biased Western media with regard to Islam, the Muslim world and Pakistan threats and how they pose high-risks for India and how the West can assist in protecting India by supplying overvalued obsolete military and defence equipment. India has the best of the Military, Air Force, Navy and newly trained police units that are second to none when it comes to protecting its borders and citizens so the Western world needs 'Made in India' in more ways than one.

The Red Corridor of India is a belt along which the Naxal Movement is rampant

SIMI looks to establish a Shariah-based Islamic rule in India converting from idol worship to Islam

CDS AND THEATRE COMMANDS

AN IDEA WHOSE TIME HAS COME



Approval of the four-star post of CDS was deferred by the Cabinet Committee on Security (CCS) pending further consultations. The two reasons cited for the deferment were the lack of political consensus on the establishment of the post of CDS and opposition within certain sections of the armed forces.

No army in the world can stop an idea whose time has come. — Victor Hugo

Those who do not learn from history are condemned to repeat it. — George Santayana

Defence Minister Manohar Parrikar said recently that he will soon be recommending the creation of the post of Chief of Defence Staff (CDS), which he considers 'a must' and that the final decision will be taken by the Cabinet Committee on Security (CCS). He also said that the Ministry of Defence (MoD) is engaged in working out a mechanism for the post.

Critics have argued that such a post will be out of tune with India's strategic culture. Whether or not India has a strategic culture, as George Tanham had said, is a matter of debate. However, India clearly has a culture of neglecting to learn the lessons of military history or, even worse, brushing them under the carpet. In 1962, the Indian Air Force (IAF) was not given any role to play in China's India War when it could have wreaked havoc on the Chinese hordes that had concentrated

on the Tibetan Plateau without air cover. In 1965, the Indian Navy (IN) was not even informed about the plans to launch a three-pronged attack across the International Boundary (IB) into Pakistan.

Personalised Vs Institutionalised

It is repeated *ad nauseam* that the 1971 War was a well-coordinated tri-Service effort that led to a grand victory. The rather limited coordination that was actually achieved during the wars with Pakistan in 1965 and 1971 was mainly due to the personalities of the Chiefs in position of authority and not due to any institutionalised arrangements. For example, during the 1971 War, Field Marshal Sam Manekshaw was able to carry his Naval and Air Force colleagues with him due to his affable nature and the personal rapport that he had established with them. Yet, there were several glitches in the planning and conduct of the land and air campaigns. By no stretch of the imagination can it be stated that India fought a coordinated 'air-land' war in 1971.

The Lesson Of Kargil

The ill-fated Indian intervention in Sri Lanka was undoubtedly a disaster from the joint planning point of view. The Kargil Conflict of 1999 is the only real example of a coordinated effort. Even here, there were initial hiccups and it took the IAF several weeks to begin bombing the Pakistani intruders' *sangars* (ad hoc bunkers) on the Indian side of the LoC after the army had made such a request. Quite obviously, during the Kargil Conflict, a joint threat and intelligence assessment of the air defence resources available to the intruders must not have been carried out or else the IAF would not have lost one fighter aircraft and one helicopter to shoulder-fired surface-to-air missiles (SAMs) – one aircraft crashed due to technical reasons – within the first few days of the beginning of the air campaign.

Consequent to the submission of the Kargil Review Committee report, a task force led by Arun Singh was constituted by the Group of Ministers (GoM) headed by Deputy Prime Minister LK Advani to analyse the functioning of the higher defence organisation in India and suggest remedial measures for improvement. Among the major recommendations of this task force was the creation of the post of the Chief of Defence Staff (CDS) with a tri-Service joint planning staff HQ. The GoM accepted this recommendation. However, while the tri-Service Headquarters Integrated Defence Staff (HQ IDS) was finally constituted in 2002, it is still headed by a three-star officer who reports to the Chairman Chiefs of Staff Committee (COSC). Approval of the four-star post of CDS was deferred by the Cabinet Committee on Security (CCS) pending further consultations. The two reasons cited for the deferment were the lack of political consensus on the establishment of

the post of CDS and opposition within certain sections of the armed forces.

Interdependence

India's prevailing security environment is marked by regional instability with a nuclear overhang. India has been engaged in an over 50-years-old low intensity limited conflict along the LoC with Pakistan, an ongoing Pakistan-sponsored 'proxy war' in Jammu and Kashmir and elsewhere in the country and a vitiated internal security environment. Repeated airspace violations, burgeoning maritime security challenges and increasing demands for Indian contribution to multinational forces are some of the other factors guiding national security imperatives. Under such circumstances, the early appointment of a CDS is an inescapable operational necessity. More than ever before and especially in the nuclear era, it is now necessary for the national security decision-makers to be given 'single-point military advice' that takes into account the interdependence of each of the armed forces on the other to meet complex emerging challenges.

The CDS should be an overall commander-in-chief and from him command should flow to individual theatre commanders

Success in modern war hinges on the formulation of a joint military strategy based on the military aim and its joint and integrated execution. At present, under the system bequeathed to India by Lord Ismay in the early-1950s, the three Services draw up their individual operational plans based on the *Raksha Mantri's* (Defence Minister's) Operational Directive. Only limited coordination is carried out at the operational level and the tactical level. In the present era of strategic uncertainty and rapidly changing threats, no military professional now disputes the unavoidable necessity of a joint planning staff for the planning and conduct of joint operations so that integrated operations can be planned 'top-down'. HQ IDS will undoubtedly meet this requirement in the years to come but if it remains headless, its functioning will remain disjointed and it will never carry the clout necessary to ensure that difficult and sometimes unpalatable decisions are accepted by the three Services without questioning.

Many analysts have sought to question the need for single-point military advice for India's civilian political masters. With India's 'no first use' nuclear strategy, the CCS would be in a real quandary if at a critical stage during war, when the adversary has unleashed the nuclear genie, the Chiefs of Staff express divergent views on the pay-offs of using nuclear weapons in a retaliatory strike and the type and nature of response.



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The Service Chiefs would to some extent be guided by the impact of the use of nuclear weapons on their forward-deployed fighting troops and would need to take the prevailing military situation into account while making their recommendations to the government. It is axiomatic that the differences among the Chiefs of Staff are resolved by the military professionals themselves, with one of them acting as the arbitrator. Only a CDS would be able to take a detached view and present an objective analysis of the situation along with the available options and the advantages and disadvantages of each option.

Theatre Command System

Ideally, the CDS should be an overall commander-in-chief and from him command should flow to individual theatre commanders. Given India's long land borders with a varied terrain configuration and two major seaboard, as also adversaries who are geographically separated, a 'theatre' system of tri-Service command is best suited for the optimum management of both external and internal security challenges. Contrary to the belief that only the United States needs a theatre system because of its wider geopolitical interests and involvement in security issues all over the globe, with its inimical neighbours and peculiar national security threats and challenges, India too needs a theatre system for integrated functioning to achieve synergy of operations with limited resources. The Chinese, with similar needs, have a well-established theatre system.

Each theatre commander should have under him forces from all the three Services based on the requirement. The initial allocation of forces need not be permanent and could be varied during war or during the preparatory stage. However, at the inception stage it would be more appropriate to make the CDS 'first among equals' and let the three Chiefs of Staff retain operational command and administrative control over their Services as change should be evolutionary and not revolutionary. Once the system matures and theatre commanders are appointed, the Chiefs of Staff of the three Services should have responsibility primarily for force structure and drawing up perspective plans. They should oversee the development and acquisition of weapons and equipment, plan recruitment, guide and coordinate training at specialised training establishments and control administrative matters such as the annual budget, pay and allowances, maintenance support and medical services etc.

All Four-star Officers

Each theatre command should be headed by a four-star General, Admiral or Air Chief Marshal. The state of Jammu and Kashmir (J&K) would naturally form the 'Northern Theatre' for both conventional and low intensity conflict operations (LIC). In view of the

ongoing operations and the possibility of continuing conflict, this command should be headed by an Army General as the operations are by and large land forces-centric. The 'Western Theatre' comprising the plains of Punjab, Rajasthan and Gujarat could be led alternately by an Army General and an Air Chief Marshal both of whom would be adequately schooled in the complexities of the AirLand battle at the operational and strategic levels. The 'Central Theatre' with its area of responsibility lying along the borders of Himachal Pradesh, Uttar Pradesh and Sikkim with Tibet and India's borders with Nepal, Bhutan and Bangladesh, could also be placed under an Air Chief Marshal.

The 'Eastern Theatre' should have its HQ near Guwahati and not at Kolkata. It should be given the responsibility for all national security interests, external and internal, in the seven north-eastern states and should be headed by a General due to the ongoing low intensity conflict (LIC) situation and the fact that the predominant component of the force would continue to be drawn from the army. It will be a long time before the 'seven sisters' are well and truly integrated into the national mainstream. Till then, some form of LIC can be expected to continue. The 'Arabian Sea Coastal and Maritime Security Zone', including the Lakshadweep and Minicoy Islands, should naturally be an Admiral's domain. The 'Bay of Bengal Coastal and Maritime Security Zone', including the Andaman and Nicobar Islands, at present called the Andaman and Nicobar Command (ANC), could be headed alternately by a General, an Admiral or an Air Chief Marshal.

Each theatre commander should have under him forces from all the three Services based on the requirement. The initial grouping and allocation of forces would not be permanent and could be varied during the preparatory stage as well as during war on an as required basis. There should be a joint planning staff in each of the Theatre HQ. The staff officers and even the Other Ranks should be drawn from all the three Services. In fact, it should be made compulsory for officers of the rank of Colonel/Captain (IN)/Group Captain and above looking for further promotion to have served at least one full tenure (minimum two years) in one of the joint HQ. The officer should have completed the tenure successfully. Only then will it be possible to inculcate a culture of genuine 'jointmanship' that is so necessary to fight and win today's wars.

Organisational Synergy

Several other areas of functioning necessitate overarching military command and control at the national level. While India's nuclear doctrine and policy are guided by the National Security Council and the Cabinet Committee on Security, the execution has to be entrusted to the Services and here a joint approach is mandatory. The newly-constituted Strategic Forces



Only a CDS would be able to take a detached view and present an objective analysis of the situation

Command (SFC) for the planning, coordination and control of India's nuclear weapons must function directly under the CDS even as the nuclear warheads and the delivery systems comprising the 'triad' remain with the respective Services. The CDS and through him the C-in-C of the SFC must exercise 'command' over the deployment and launching of all nuclear warheads and the delivery systems even though their physical possession vests with the individual Services.


The acquisition and dissemination of strategic military intelligence needs tri-Service planning and should justifiably lie in the domain of the Defence Intelligence Agency (DIA) guided by the CDS. The Director General of the newly-established DIA should report directly to the CDS. He must coordinate with the National Security Council Secretariat and the civilian intelligence agencies (R&AW, IB *et al*) on behalf of the three Services and act as a link between them. The tasking of common assets of the three Services like DIPAC should be controlled by the DIA.

Information warfare and cybersecurity and issues like the management of the electromagnetic spectrum including frequency management, electromagnetic compatibility (EMC), electromagnetic interference (EMI), electronic emission policy (EEP) and the offensive employment of non-communications devices such as radars for electronic warfare should all be the legitimate domain of the CDS and HQ IDS. Similarly, on the non-operational side, training institutions such as the National Defence College, the College of Defence Management and the National Defence Academy and organisations like the Armed Forces Medical Services, Canteen Stores Department and a host of others must be placed under the direct command of the CDS for better synergy in their functioning and optimum exploitation of their potential.

The COSC is an experiment that can only be described as an abysmal failure. It is driven by single-Service requirements and perceptions. It is well known that the Chairman COSC lacks executive authority over Services other than his own. The COSC works primarily by consensus and cannot make hard decisions that would be binding on all the Services. Perhaps it is not so well known that it took the COSC almost two

years to reach a consensus on the revised syllabus of the National Defence Academy. The institution of a National War Memorial was another contentious issue that dragged on for years with the result that while the police are actually constructing a memorial near *Teen Murti* in Lutyens' Delhi, the armed forces memorial still exists only on paper. While the end goal is common, there are always disagreements on the rote to be followed to get there. During peace time, turf battles and inter-Service rivalries rule the roost and minor, inconsequential issues take up most of the time available for discussion. War time decisions require professional understanding, a bipartisan approach and, often, hard compromises. As Winston Churchill famously said, "Committees cannot fight wars."

It is time to implement the GoM decision to appoint a CDS. Theatre commands are but one step further in the quest for synergy in operations. It should be a short step, but knowing the way the Indian system works, it is likely to be a very long one indeed. In the prevailing battlefield milieu of joint operations, combined operations and even coalition operations, modern armed forces cannot be successful without a well-developed and deeply ingrained culture of jointmanship. While the colour of the uniform may be olive green, white or blue, the colour of the heart should be purple. The establishment of the Integrated Defence Staff is a good beginning, but there is a long and winding road ahead and, as yet, it does not even appear to be paved with good intentions.

Often during war, the fate of an entire campaign can hinge on a single decision. Such a decision can only be made by a specially selected defence chief and not by a committee like the COSC that operates on the principle of the least common denominator. Military history is replete with examples of how such decisions changed the course of a war. Eisenhower's decision to launch the Normandy landings in the face of continuing rough weather and MacArthur's decision to land at Inchon against stiff opposition from virtually his entire staff could not have been made by committees. All other major democracies have opted for the CDS system. India cannot ignore it any further except at great peril. It is an idea whose time has come. 



INDIA-US DEFENCE COOPERATION

Major defence deals do not validate the ‘two-way trade’ scheme between the two countries since the signature of the New Framework Agreement. There is a growing and overwhelming inflow of US defence materials towards India and very little in the opposite direction.

In January 2015, President Obama and Indian Prime Minister Modi agreed that the closest relationship between their two countries was needed and issued a Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region. This Joint Strategic Vision was the occasion for both states to affirm their willingness to ensure stability and security in these regions and to deepen their cooperation in the defence industry area. Indeed, both leaders renewed the New Framework Agreement of 2005 which is deemed to expire in 2015 and was put in place in order to foster collaboration in the defence industry area. The new framework will also last for a period of 10 years and has already triggered the development of four pathfinder projects in co-production and co-development, with two instances being, the small unmanned aerial system (UAS) *RQ-11 Raven* or Intelligence, Surveillance, Reconnaissance (ISR) payloads for *C-130J Hercules* aircraft. Nevertheless, cooperation in the defence industry between Washington and New Delhi has been rather long to establish as relations between the two countries have been relatively volatile, Washington providing and supporting politically and militarily the Islamabad regime during the Cold War, while New Delhi cosied up (and still is to some extent) to Moscow for Russian military equipment.

New Start

After the fall of the Soviet Union, bilateral relations improved with the signing of a defence agreement in January 1995, the Agreed Minute on Defence Relations, which fostered cooperation in three areas; ‘civilian-to-civilian policy discussions, service-to-service interaction and defence production and research’. This was the first milestone of cooperation in the defence sector between the two countries, which deepened later in 2005 with the signature of the New Framework Agreement.

However in 1998, the US imposed an embargo on India and Pakistan after the two countries proceeded to nuclear weapons capability tests. This would undermine the bilateral relations at least until 2001 with the turning point being the launch of the War on Terrorism by the US. Indeed, India and Pakistan appeared set to become strategic partners in the region, both countries having also experienced terrorism in their history. Furthermore, in 2004 an important step was taken towards further cooperation in key areas with the Next Steps in Strategic Partnership initiative. This initiative consisted of further cooperation in certain areas such as civilian nuclear activities, civilian space programmes, high technology trade, while both countries agreed to expand their exchanges on missile defence.

Creating Supplier-customer Relations

The New Framework Agreement has established a Defence Procurement and Production Group to manage defence trade, co-production and technology collaboration between the two countries and created a Joint Working Group which performs a mid-year review of the work of the Defence Policy Group and its subgroups. The overall cooperative process is handled by the US-India Defence Policy Group which meets annually. Defence trade and industrial collaboration have been underlined as a major aspect of the cooperation with both countries agreeing to ‘expand two-way defence trade’. Given its scope and areas of cooperation, it can be assumed that this agreement was truly the first ambitious step in the Defence sector between the two countries.

In the years following the signing of the Agreement, defence trade has increased between Washington and Delhi but not in the expected two-way trade scheme. Indeed while the US gained major contracts on the Indian Defence market the state of the Indian Defence Industrial and Technology Base could not export anything of note to the US (India arms exports total less than US\$ 200 million per year). In fact, over the period 2001-2013 India can be ranked as one of the top customers of the US with a procurement amount of around US\$ 15 billion. From 2005 to 2013, the US has increased significantly its exports to India. In fact, US arms exports to India were approximately US\$ 400 million from 2001 to 2004 while topping over US\$ 3 billion between 2005 and 2008. This sum improved over the 2009-2013 period with US exports to India reaching US\$ 11 billion. Consequently, the US has become the third largest supplier of military hardware to Delhi during this period.

Among major deals over the 2005-2013 period were the contracts for six Lockheed Martin *C-130J-30 Hercules* transport aircraft for US\$ 1 billion in 2008 (the Indian government ordered six more *C-130J-30* in 2014 for a contract cumulative value of US\$ 2 billion), eight Boeing *P-8 Poseidon* maritime patrol aircraft for US\$ 2 billion and ten Boeing *C-17* transport aircraft for US\$ 4.1 billion. Moreover, India has recently confirmed the orders in principle of 22 *Apache* helicopters *AH-64E Guardian* and 15 transport helicopters *CH-47F Chinook* which would amount to US\$ 2.5 billion.

However, these major deals do not validate the ‘two-way trade’ scheme between the two countries since the signing of the New Framework Agreement. There is a growing and overwhelming inflow of US defence materials towards India and very little in the opposite direction.

Little Real Cooperative Partnership

Nevertheless, through its offset policy which Delhi has implemented in 2006, the country managed to gain some benefits with the production of various components for the Air Force. For example,

Reliance Industries has partnered with Boeing for the production of the *P-8 Poseidon* maritime patrol aircraft as well as Airbus Group and Tata which is currently awaiting the decision of the Indian Ministry of Defence for the award of the contract for the replacement of the ageing *Auro* transport aircraft’s fleet.

Joint ventures have also been created such as Tata Aerospace Systems Limited by Tata Advanced Systems Limited and Sikorsky design and produce components for the *S92* Helicopter cabins or Tata Lockheed Martin Aerostructures Limited which manufactures components such as centre wing box for the *C-130J*. However it has to be said that these collaborations or partnerships have been limited to some specific areas in the aeronautics sector.

For example, the two countries do not collaborate in the field of fighter aircraft while Russia and India are co-developing the Type 79-L 5th generation fighter aircraft based on the Russian *T-50*, a project in which Delhi has already invested US\$ 295 million which involves Sukhoi and HAL.

In 2012, both countries tried to give a new impetus to reverse this one-sided relation by promoting a new initiative, the Defence Trade and Technology Initiative which stems from consultations between Ashton Carter, then Deputy Secretary of Defence and senior Indian officials. Such initiative was

aimed towards more collaborations and joint projects in the field of defence but has encountered little success so far. In 2013, a Joint Declaration on Defence Cooperation issued by President Obama and Prime Minister Manmohan Singh established the relations between the countries as close as with their closest partners, showing a strong political commitment. Hereafter, the Joint Declaration identifies areas of cooperation such as ‘defence technology transfer, trade, research, co-development and co-production for defence articles and services’ and expects collaborative projects between the two countries in the short-term. Finally in January 2015, with the renewal of their defence agreement pact, both countries again tried to trigger broader cooperation in the field of defence industry. Nevertheless, despite a clear willingness to improve co-production and co-development, the scale of such cooperation is far too small (only four pathfinder projects in relatively non-sensitive technologies) compared to what has been achieved with countries such as Russia, France or Israel with India.



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The Indian Defence market has been one of the most attractive for a few years now



In Contrast

Russia has traditionally been the main supplier and partner of the Indian Defence Industry, India producing under license *Su-30* aircraft and *T-90* tanks while co-developing and co-producing the *BrahMos* hypersonic cruise missile (which equips the Indian Army since 2005 and is currently tested on *Su-30MKI*). The Indian Navy is also mostly equipped of Russian hardware such as submarines (leasing for example the nuclear submarine *INS Chakra* since 2011 from Russia, Indian media having reported that another one may be leased soon) project 11356 frigates or the aircraft carrier *Vikramaditya*, ex-*Admiral Gorshkov* of the Russian Navy.

With France, India has a good relationship in the defence industry, some French companies like Dassault Aviation being present in India since 1953 with the sale of the *Ouragan* aircraft for the first time. The French presence on the Indian Defence market has well expanded since the end of the Cold War and French companies are present in various areas such as the howitzers with Nexter, submarines with DCNS, Safran with engines, Thales for radars and Dassault Aviation for fighter planes (as underlined by the recent sale of 36 *Rafale* to India).

Corruption As Index

The Indian Defence market has been one of the most attractive for a few years now, India importing between 65 and 70 per cent of its military equipment, the country being until recently the 1st world importer of defence equipment (it is now Saudi Arabia). Indeed, it is estimated that the Indian Defence will spend over US\$ 100 billion for its modernisation up to 2030. Nevertheless, US firms may have been less enthusiastic than their foreign counterparts about the Indian market for many reasons such as corruption, inefficiencies of local partners to integrate foreign technologies and the restraining legal framework which limits Foreign Direct Investment to 49 per cent while imposing Buy and Make India tenders. On top of that, the Defence Procurement Procedure of 2013 has put forward those tenders while Prime Minister Modi has

launched its 'Make in India' policy. US firms have also access to other important defence markets such as Saudi Arabia, United Arab Emirates, South Korea and Singapore where they can establish industries too. Furthermore, during the period of the last decade or so, both countries have made considerable progress in setting aside differences between themselves in their respective interpretations of the American Foreign Corrupt Practices Act and the Indian CPA.

The renewal of the defence agreement of 2015 and the launch of four pathfinder projects is certainly a good thing to take into account but they remain overall only the first few steps of a collaboration which is still expected to yield broader positive outcomes. Such cooperation should be extended to more high-end technologies but that would need a joint effort from both parties, from the US to transfer the technologies and from India to lower its threshold regarding such transfer. The failure or stalling of major programmes with key partners could also be an incentive for Delhi to further try to engage cooperation with Washington. Another incentive could be a lift to 50 per cent or more of the FDI in order to attract more US firms but that is certainly not planned by the government which has recently increased in 2014 the FDI from 26 to 49 per cent. However for the moment, the US has earned major contracts without conceding much key technologies, the needs of the Indian armed forces being urgent in many areas such as for light helicopters or transport aircraft (example of the *Avro's* fleet).

Therefore, when considering the various limitations and risks in the Indian Defence market, the current state of the Indian military modernisation process and the cooperation of India with other countries in major military programmes, prospects for broader US-India cooperation in the field of defence industry are for the moment restricted. There might be the launch of a few new projects in more important domains but such possibility will certainly depend on the success of the pathfinder projects. A broader-based and deeper cooperation in the defence industry between the two countries is yet to mature. **DSA**

A broader-based and deeper cooperation in the defence industry between the two countries is yet to mature

THE POLITICAL ECONOMY OF MAKE IN INDIA

This article contributes to the growing literature on US-India defence system procurement collaboration as a means of promoting Prime Minister Narendra Modi's Indian manufacturing and export capability enhancement objectives. The US-India Defense Trade and Technology Initiative is analysed to ascertain how these collaborative development programmes advance Indian manufacturing capability enhancement objectives, as envisioned under the 'Make in India' initiative.

India is making strides toward establishing constructive new initiatives that facilitate investment, foster innovation, protect intellectual property and build best-in-class manufacturing infrastructure. The work of the Department of Industrial Policy and Promotion (DIPP) within the Ministry of Commerce and Industry, Government of India (GoI), is particularly noteworthy. DIPP is devising streamlined processes to enhance global competitiveness of the Indian manufacturing sector. These processes formulate and implement policies and strategies for manufacturing capability development in conformity with Prime Minister Modi's 'Make in India' initiative. The underlying emphasis of 'Make in India' is to raise the global competitiveness of the Indian manufacturing sector, which would greatly contribute to the long-term growth of the country, as it addresses regulation, infrastructure, skill development, technology, availability of finance, exit mechanism and other pertinent factors.

An online brochure on 'Make in India' for the Hannover Messe 2015 – The World's Biggest Industrial Fair, which took place in Germany, April 13-17, 2015,

identifies and lists major new initiatives designed to make the regulatory environment investor-friendly in terms of foreign investment. The content of this brochure will undoubtedly influence the drafting of other similar documents by DIPP. It is useful to examine the vision, policies, new processes, acquisition principles and clauses that are included in the brochure. To begin with, attention may be directed to the following statement for establishing a vibrant IP regime in the country:

"To create a conducive environment for the protection of intellectual property (IP) rights of innovators and creators by bringing about changes at legislative and policy level".

This sets the tone for sweeping changes in IP administration, including simultaneous adoption of best practices in IP processing and the highest level of transparency and user-friendliness.

Next, one should pay close attention to Prime Minister Modi's latest statements at various national and international trade fairs, which render explicit and implicit preference to open defence, construction



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and railways to global participation by promoting productivity, quality and technical cooperation on terms mutually beneficial to foreign suppliers and India, by easing investment caps and controls.

Foreign suppliers and Indian policy experts view investment caps and controls in the context of their own national security and national interest. The Modi government argues that any technology development is dependent unless capital flows, production of a particular technology and technical progress are integrated into the national manufacturing capability development paradigm. Concern over manufacturing, where output fell 0.2 per cent in the fiscal year ended on March 31, 2014 and its relationship to capital flows have prompted the Modi government to work overtime to get new ideas going.

India imports defence equipment worth over US\$ 10 billion annually. It is one of the largest defence importers in the world, with limited export capability. Prime Minister Modi and his cabinet are serious about providing incentives to foreign players so that they bring cutting-edge technologies to India and make India their manufacturing and export hub. DIPP Secretary Amitabh Kant told *Economic Times* that FDI in defence could be one of the biggest drivers of manufacturing and help reduce dependency on imports. Like other industry experts, he believes that defence is the centre of innovation that attracts technology and manifests creativity in engineering. A Coordination Draft Cabinet Note prepared by DIPP is currently in circulation for inter-ministerial comments. It suggests different caps for FDI in defence: 49 per cent under government approval route; FDI beyond 49 per cent on a case to case basis with the approval of the Cabinet Committee on Security and Foreign Portfolio Investment up to 24 per cent under automatic route.

Industry experts argue that without a majority stake, global investors are not going to invest in India. Some favour raising FDI cap to at least 51 per cent in the defence sector. They believe that with controlling stakes, foreign players will have incentive to bring state-of-the-art equipment and technology to India, which domestic companies will leverage to manufacture products indigenously, thereby making India a global defence manufacturing and export hub. Yves Guillaume, President India, Airbus Group, contends that it would be easier to transfer cutting-edge technologies to a joint venture in India and take responsibility of the product for both Indian and export markets if Airbus has management control over the company producing the product.

Another segment of the domestic industry, represented by less than 1 per cent share in the defence sector, opposes raising the FDI cap and advocates restricting FDI in defence to 49 per cent. Between 2001 and August 2013, India allowed only 49 per cent foreign investment (26 per cent FDI, plus 23 per cent Foreign Institutional Investors (FII)), which attracted only US\$ 5 million investments. This is the lowest in any sector, highlighting the fact that 49 per cent foreign investment has not changed anything. If India does not raise the FDI cap, it will be a game spoiler. India cannot afford to miss the bus.

Under the 'Make in India' programme, the government has not yet increased the limit but, as referenced above, it does allow higher FDI on a case-by-case basis in state-of-the-art technology production. The programme seeks to prohibit practices that limit export of manufactured products on the basis of the transferred technology, including restrictions on exports to certain markets, permission to export only to certain markets and requirements of prior approval of the licensor for exports.

Here lies the built-in propensity of technology transfer to give rise to serious conflicts. Most personnel who work in corporations view technology as a marketable commodity: technology costs money to produce; therefore, it is a commodity to be marketed. The owners of the technology at times venture to operate temporarily at a loss in the hopes of creating a market and eventually earning a fair return. In many circumstances, a foreign supplier has an exclusive licensee in more than one territory and may wish to protect one licensee's market from competition by goods imported by another licensee. Sale of technology to a developing country or its use therein should be carefully planned so that corporations that develop, own or transmit technology can generate an acceptable return for their technological capital. Other than these business considerations, there are also the donor country's national security interests, which at times require that the corporations apply export restrictions.

A second conflict takes us straight to the dynamics of development economics. Much of the technological property available from multinational corporations can be used to produce diverse products or in diverse fields of activity.

What the 'Make in India' programme seeks is autonomy to define India's technology policy with respect to its own needs. The programme views any restriction on volume, scope and range of production or field of activity as a limiting factor on Indian manufacturers' potential competitive posture in world markets.

Restrictions of this nature preserve the competitive positions of the foreign suppliers, including their other licensees. When foreign suppliers hold product patents, they have legitimate powers to control competition in the licensed product. By recognising reasonable correlation between the scope of the foreign supplier's property rights and the restriction on production or field of use in such a case, a beneficial effect on technology transfer can be achieved.

India can use any concession regarding production to seek concessions on other negotiable conditions of the agreement. To justify concessions, India must constantly refer to its development priorities, resource capacities and the possible effects of different technologies on a whole range of social, economic and political indicators. This suggests that India, including state governments, clearly know what range of technologies might be available.

In the past, technology was part of an 'investment package' that also included management, marketing services and equity and debt capital. 'Make in India' represents a paradigm shift, for the varied needs

in various sectors in India dictate that new ways to 'unbundle' the package be found.

Diverse technologies may be found in a variety of matrices: some are product embodied, whereas others are process embodied. The dynamics of each kind can be described in the following terms:

Product Embodied Technology

When the writer conducted a research project on international technology transfer, he contacted a US high technology firm that manufactures precision instruments for process control systems. Much of the firm's sales take place outside the US and it has significant operations in Asia and Latin America. The firm makes gauges, measurement systems and equipment for all types of industrial processes, oil refineries and petrochemical plants. Its engineers eagerly tackle problems involving flows, temperatures and pressures and demands for testing the composition and quality of ingredients or alloys.

The crucial component in one of the company's best pieces of technology is a stainless steel diaphragm, whose internal element makes an ingenious application of silicone to stabilise mobile sensors. This is the key to the company's success in equipment used to measure pressure, temperature and flows. This is a case of product embodied technology, that is, of know-how fixed within a precise object.

Process Embodied Technology

An engineer visiting a particular construction site in a foreign land saw a non-precious stone that abounded in nearby quarries. After examining the quarry, he thought that the stone, when treated in a certain sequence with some 60 different chemicals and ground to a minute fineness, would produce an excellent industrial abrasive used in lubrication of certain types of machinery.

Under his initiative, the engineering idea proved successful. The success was due to the meticulous handling of the sequential process as the stone was ground and mixed with a large number of chemicals at specified temperatures. This is a case of process embodied technology or know-how, as there was no need to import any tailor-made machinery.

In any transfer arrangement, these broad differentiations determine equipment requirements, quality control procedures and other related technical information. Technology recipients in India need to understand that without further specification, this technical information does not lead to effective and successful technology acquisition, because technology can be general, systems specific and firm specific.

General technology is know-how which is common to an industry or trade. Technology that is system specific differentiates firms from competitors. Firm specific technology is the result of a firm's overall activities and goes beyond general information possessed by the industry as a whole. Firm specific technology cannot be captured in a blueprint, product or manual of instructions. Its proper vehicle is ongoing supervision based on the critical capacity a firm has acquired over time as it proceeds in the use of its intangible know-how.


One of the major forms it takes is applications technology, wherein engineers apply existing technologies to specific problems for which the original technology was not designed. Firm specific technology is, par excellence, the domain of proprietary knowledge. It may include design and manufacturing know-how, application or maintenance know-how and keystone manufacturing.

Now, implicit in the idea of unbundling of technology packages is that India wants to acquire these specific proprietary technologies. Such aspirations of 'Make in India' proponents differentiate these leaders from previous actors.

An important aspect of 'Make in India' is that a firm's willingness to engage in the 'measured release of its core technology' depends on the form in which the knowledge is embodied as and the extent to which attractive markets for technical information exist. 'Attractive market' means the ability of the US firm to maintain its technological lead and continue to commercialise that lead effectively in world markets from both the corporate and the US economy's viewpoint.

To that end, India is forecast to spend US\$ 250 billion over the next decade to upgrade its military. Defence technology giants like Boeing, Lockheed Martin, Airbus and Dassault Aviation have made a beeline to India in recent years in search of deals worth billions of dollars. They know that the Modi government aims to reduce defence imports from 60 to 30 per cent in the next five years. The government's plans include doubling India's own defence output, with the simultaneous creation of hundreds of thousands of skilled jobs.

Being mindful of India's plans, the US has discussed different offers to jointly develop and produce next generation technologies in India for the Indian market as well as for export. However, technology transfer is complicated by the capacity of the recipients to absorb high-end technologies. Joint development and production of next generation technologies in India is not simply a matter of supplying designs and drawings across the electronic network: the defence-aerospace ecosystem also has to be rationalised, standardised and upgraded to the point where India and its manufacturing capability become globally competitive.

Toward that goal, the US has been exploring several pilot projects to share high-end technologies related to many systems and technologies, including unmanned aerial vehicles, hot engines for fighters and aircraft carriers. Frank Kendall, US Under Secretary of Defense for Acquisition, Technology and Logistics, visited India several times to finalise collaboration on defence technologies and co-production of weapons systems, including a few industry-initiated pathfinder projects. These projects have stand-alone values, but also lay the foundation for effective technology defence cooperation in an environment of close collaboration and trust, government to government and industry to industry. Similar initiatives with other advanced countries are needed to increase commercial incentives to invest in India and help grow its manufacturing capabilities in primary, secondary and tertiary industries. 



PUTIN AND MODI

CEMENTING TIES THROUGH WELTER OF TIMES

In December 1991 the Soviet Union passed into history and Indo-Russian ties passed through unimaginable uncertainties, when it was hard to procure defence spares, hard to get energy supply and hard to repay even debts. Yeltsin's visit to India in February 1993 put the bilateral ties on pragmatic rails.

April 13, 1947 is a red letter day in the annals of Indo-Soviet bilateral ties. This was the day when diplomatic ties between India and the Soviet Union were established. This was the day that ushered in a phase of intense interaction in the economic, political, diplomatic and military arenas. Four months before India achieved independence, this was the day that demonstrated India's proclivity to embrace Nehruvian model of a robust state sector always patronised by the Soviet Union and non-aligned foreign policy that socialists across the world supported warmly as an alternative conduct in international relations. As the Cold War raged in subsequent decades, it became apparent that India was with the Soviet Union, pursuing a policy of non-alignment as much as Pakistan was with the United States pursuing a policy of alignment and block politics.

Natural Allies

The premises of the Cold War divide were distinct and friends and foes of both sides were identified either with the US or with the USSR. India was with the latter. In second half of 1950s, it was the question of building a strong state sector and India turned to the West for help; turned down, Nehru sought help from the Soviet Union, which readily complied. The 1960s were hard years of two wars followed by successive rainless years and resultant drought. PL-480 from the US came but it was a drop in the ocean. No military help flowed in. It was massive Soviet support that sustained India through the years of difficulties and that cemented the bonds of relationship between the two countries. The 1970s began with hectic

diplomatic negotiations how to avoid another war, but it was not destined. The Indo-Soviet Treaty of Peace, Friendship and Cooperation signed on 9th August 1971 finally ordained the bilateral ties for twenty years in an irreversible fashion. A devastating Indo-Pakistan war followed, leading to the birth of Bangladesh and humiliating defeat of Pakistan. The rest is history.

Soviet Disintegration

In the mid-1980s Gorbachev's Soviet Union ran into severe economic and political difficulties. Mortal danger to the very existence of the Soviet Union stared on its face and a seemingly solid union collapsed like a house of cards, no efforts could prevent an emergent Commonwealth of States, where there was nothing common and no wealth. In December 1991, the Soviet Union passed into history and Indo-Russian ties passed through unimaginable uncertainties, when it was hard to procure defence spares, hard to get energy supply and hard to repay even debts. Yeltsin's visit to India in February 1993 put the bilateral ties on pragmatic rails; both countries knew where they stood. From earlier years of barter deals India and Russia decided that every bit of trade would be in convertible currency.

Paradigm Shift

The new millennium began with a new Russian leader – Vladimir Putin, who singlehandedly decided to befriend Russia and China as a counterpoise to NATO's eastward expansion. His maiden visit to India in early October 2000 and his interactions with Prime Minister

Vajpayee brought both countries close to strategic partners and the relationship continues since then amid some periodic hiccups. During his speech to the joint session of Indian Parliament, Putin had said in October 2000 that "Russia wanted to see India as a prosperous country and a major factor in contributing towards global stability." He also said "the same organisations that were creating problems in the Indian state of Jammu and Kashmir were behind problems in Chechnya and other parts of the Russian Caucasus." Since Russia and India have common approach to many issues of international relations, commonalities have brought them together.

Global War On Terror

The 9/11 attack on the US a year later changed the geopolitical matrix of Eurasia for bilateral and multilateral cooperation. It created a broad platform of closeness between all big powers of the world to counter a new phenomenon called international terrorism. Russia has been balancing its interest since 2001 between its close allies within RIC (subsequently taking expanded name BRICS) on the one hand and Russia's relations with US and EU on the other. The seeds of strategic partnership sown by Vajpayee and Putin in October 2000 have grown to be a young tree, unfolding every year its branches in various directions of synergy, when leaders of both countries meet annually in each other's capital in November-December.

Putin's visit to India in December 2014 was the 15th such annual meeting between leaders of the two countries. His quest for sterling ties with India came at a time when the Russian economy was malfunctioning, oil and gas prices are drastically down, the Rouble had been sliding fast against the dollar, Russian annexation of Crimea last fall and its military involvement in Eastern Ukraine has elicited stiff Western sanctions. Yet Putin is acutely aware of his country's strength and weakness and what he can harness to the best of Russia's interest. Putin became famous with his name precisely meaning P for planes, U for uranium, T for tanks, I for infrastructure and N for nuclear weapons. These were strategic areas Putin has decided to pursue with India. Therefore from his maiden visit to India in October 2000 till today energy cooperation, nuclear deals and military ties have been subjects of discussion between India and Russia.

Outcomes

Thus the results of Putin-Modi deliberations are along the expected lines and a slew of agreements have been signed. India is Russia's prized possession as a market for weapons; Russia is India's trusted partner in arms supply and diplomatic overtures. And the mutuality continues amid twists and turns of events. Rosatom, the state controlled Russian atomic agency, will start building 20 nuclear reactors in India in 20 years of which 12 will be built in near future. A 1,000 megawatt reactor is operational at Kudankulam in Tamil Nadu with another due on stream in 2015. These two are out of a total of six reactors to be built there in upcoming years. Prone to protests, other six sites will be determined later. Indo-Russian nuclear cooperation is thus a tangible arena of synergy that

has withstood changes in political dispensation in both countries and set to forge into future.

Similarly Rosneft, the Russian petroleum agency has inked with Essar Oil of India a ten-year crude supply agreement to supply 10 million tons of oil a year to India. In addition to this, *Reuters News* reported that Russia has agreed on US\$ 1 billion support line to build hydroelectric power projects in India. The Modi-Putin talks in December 2014 have resulted in a US\$ 40 billion gas pipeline deal, albeit this deal seemingly being dwarfed by the US\$ 400 billion gas supply deal Russia has signed with China in 2014. However, both countries have signed a 'vision document', outlining a road map for future synergy in strategic areas that include oil supply, infrastructure building, defence deals and increase in direct diamond sale to India by Russian diamond monopoly, Alrosa. Russia being top producer of rough diamonds in the world has aligned with India, considered to be the hub for cutting and polishing gemstones. This is a paradigm shift in approach because India was operating through Antwerp and Dubai for polishing Russian diamonds.

Defence Deals

From frigates to submarines to fighter jets to tanks, the list of Russian weapons in the Indian military inventory is large. India has virtual military overdependence on Russian weapons. What the Modi government has decided is to expedite many of these delayed projects that include joint development of fifth generation fighter jets and multi-role transport aircraft. Learning lessons from the Soviet chaos of the 1990s, while India tries to diversify its defence procurement sources, Russia becomes upset. What has particularly upset Russia is India's choice for buying French *Rafale* and American *Apache* helicopters over similar products offered by Moscow. And what has upset India is Russian efforts to sell attack helicopters to Pakistan. However, the bone of contention between the two countries is India's endeavours to break free from military overdependence on Russia and Russian refusal to relent from its near monopoly position in Indian arms market. These irritants however have not dampened bilateral defence deals which are regularly monitored year after year.

Two irritants are likely to emerge for Russia in future. First, India is set to diversify its weapon procurement sources, involve the private sector in indigenisation process and deals with countries agreeing to necessary technology transfer. Secondly, the world arms market is becoming increasingly competitive and Russia must learn to compete and not always search for ways to manipulate the state machinery involved in the weapons procurement process that drags the projects. However, Modi and Putin are aware of these sensitivities and seem ready to remove the hurdles the moment they arise. This implies that bilateral ties will forge further. **DSA**



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