U.S.-India Forward
Frequently Asked Questions

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U.S. Consulate General
Kolkata

40 CUTS International 1983-2023


DEFENSE NEWS CONCLAVE:


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STORIES OF U.S.-INDIA DEFENSE AND SECURITY PARTNERSHIP
Dialogues on Deliverables to Deliveries
September 20, 2023, Jaipur


DEFENSE NEWS CONCLAVE:
STORIES OF U.S.-INDIA DEFENSE AND SECURITY PARTNERSHIP
Dialogues on Deliverables to Deliveries
November 21, 2023, Mumbai


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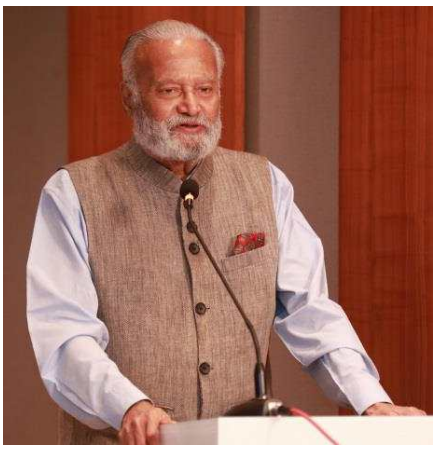

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About the FAQs

This compilation of Frequently Asked Questions (FAQs) arises from a series of strategic workshops hosted under the Defense News Conclave Project, a collaboration supported by the U.S. Consulate General Kolkata and the U.S. Department of State. Held across five key consular districts, these workshops convened in 2023-2024 to bolster the U.S.-India Defense and Security Partnership, particularly spotlighting its pivotal role in the Indo-Pacific region's evolving geopolitical landscape.

Addressing the enhanced strategic alignment between the two nations, these FAQs reflect the critical discussions and insights shared among media professionals and stakeholders, aiming to deepen understanding and foster robust dialogue on pressing security dynamics and cooperative defense mechanisms within the Indo-Pacific sphere.

This booklet of standard FAQs has been created to serve as an essential resource for stakeholders and media professionals involved in the U.S.-India Defense and Security Partnership. It aims to enhance understanding of key policies, practices, and strategic initiatives discussed during the Defense News Conclave workshops. By consolidating expert insights and pivotal discussions, this compilation fosters informed dialogue and supports ongoing educational efforts, ensuring accurate and comprehensive coverage of the evolving partnership dynamics in the Indo-Pacific region.

Contents

Abbreviations

ACTC:	Aircraft Carrier Technology Cooperation
AECA:	Arms Export Control Act
AS:	Air Systems
ASEAN:	Association of Southeast Asian Nations
BECA:	Basic Exchange and Cooperation Agreement
CAATSA:	Countering America's Adversaries through Sanctions Act
CAGR:	Compound Annual Growth Rate
CCP:	Chinese Communist Party
COMCASA:	Communications Compatibility and Security Agreement
DIATF:	DTTI Interagency Task Force
FAQs:	Frequently Asked Questions
FDI:	Foreign Direct Investment
FSA:	Foreign Military Sales Act
GSOMIA:	General Security of Military Information Agreement
HOSTAC:	Helicopter Cross-Decking Agreement
iCET:	initiative on Critical and Emerging Technologies
IDSA:	Institute for Defence Studies and Analyses
IGA:	Intergovernmental Agreement
IPMDA:	Indo-Pacific Partnership for Maritime Domain Awareness
ISA:	Industrial Security Annex
ITAR:	International Traffic in Arms Regulations
IUU:	Illicit and Unregulated
JVs:	Joint Ventures
JWGs:	Joint Working Groups
LEMOA:	Logistics Exchange Memorandum of Agreement
LS:	Land Systems
MDA:	Maritime Domain Awareness
MDP:	Major Defence Partner
MRO:	Maintenance, Repair and Overhaul
MSMEs:	Micro, Small and Medium-Sized Enterprises
NS:	Naval Systems
NTS:	Non-Traditional Security
OEMs:	Original Equipment Manufacturers
STA:	Strategic Trade Authorisation Tier
UNCLOS:	United Nations Convention on the Law of the Sea
USML:	U.S. Munitions List
USNS:	US Navy Ship

Part – I

The Relevance of QUAD and India-U.S. Defense Relations in the Indo-Pacific Region

1. How do the Asia-Pacific and Indo-Pacific Concepts Differ?

Asia-Pacific and Indo-Pacific, both are ideas, concepts, and a way for governments to frame the international environment to suit their policy objectives in particular circumstances.

The term 'Asia-Pacific' refers to the part of Asia that lies in the Pacific Ocean. On the other hand, the Indo-Pacific is an integrated region that combines the Indian Ocean, the Pacific Ocean, and the landmasses that surround them. Geographically speaking, the Indo-Pacific is an extension of the Asia-Pacific region. Thus, although they may not have been sharply defined, this new conception includes the shores of eastern Africa, besides the island countries. Please refer to the map 1 for a pictorial understanding.

As you can see below, India and African countries are not part of the Asia-Pacific region. The Indo-Pacific rhetoric reframes the Asia-centric region to reflect growing connectivity and competition across two oceans, paving the way for an expansive array of new partnerships.

The Indo-Pacific concept's growing use in recent years also reflects the impact of China's rise (and the growing fear in the region). Moreover, it's the result of the general westwards re-weighting of power within Asia – from Japan to China, from the Chinese coast to the Western provinces and then to India.[1]

Finally, while Asia-Pacific is more of an economic conception rather than a security-related notion, Indo-Pacific is both a strategic as well as an economic domain comprising important sea lines of communication and thus, associated with maritime security and cooperation.[2]

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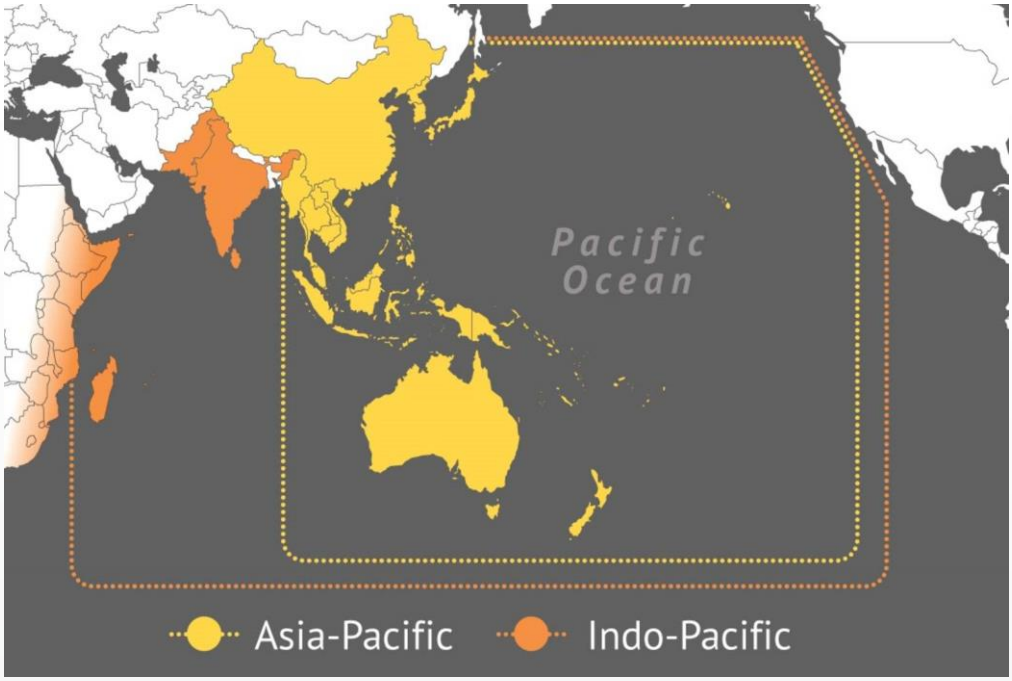
1 "Asia-Pacific vs. Indio-Pacific: Just Different Words or Different Visions for a Region?" ISPSW, https://www.ispsw.com/wp-content/uploads/2018/12/591_Vermeer.pdf.

2 Javaid, Arfa. "What is the difference between the Indo-Pacific and the Asia-Pacific?" *Jagran Josh*, 9 February 2021, https://www.jagranjosh.com/general-knowledge/indo-pacific-vs-asia-pacific-1612883032-1.



Map 1

2. Is the India-U.S. Strategic Convergence and Defense Partnership Restricted to the Maritime Sphere?

The strategic convergence between the U.S. and India has been growing since the Cold War Era. The U.S. declared India as a Major Defence Partner (MDP) in 2016.[3] The India-U.S. defense partnership is not just restricted to the maritime sphere. It expands to the spheres of Land, Air, Space and even Cyber Security. Additionally, they cooperate on complex security challenges, like terrorism, counter-proliferation, narcotics and disaster relief.

In 2018, the U.S. granted India Strategic Trade Authorisation Tier 1 (STA-1), easing regulations for U.S. high-tech defence and aerospace exports. The two countries have also been collaborating on aircraft carrier technology since 2015. Moreover, India and the U.S. have expanded and upgraded a range of military exercises — from Yudh Abhas (Army) to Malabar (Naval), Red Flag and Cope India (Air force), Tarkash, SEALs and Vajra Prahar (Special forces), and the more recent Tiger Triumph exercise (Tri-service). The U.S. has also been invited to join India's MILAN naval exercise.

3 Saran, Samir, and Richard Verma. "Strategic Convergence: The United States and India as Major Defence Partners | ORF." Observer Research Foundation, 25 June 2019, https://www.orfonline.org/research/strategic-convergence-the-united-states-and-india-as-major-defence-partners-52364/

High-level defence and security-related dialogues have also proliferated in the diverse areas of- Maritime Security Dialogue, Space Dialogue, Homeland Security Dialogue, Cyber Security Dialogue, Strategic Security Dialogue, Joint Working Group on Counterterrorism, and Inter-Agency Task Force to foster defence trade.[4]

Under the "2+2" defence and foreign ministers dialogue, U.S. and India signed three key "foundational" military agreements: (i) the Logistics Exchange Memorandum of Agreement (LEMOA), which was signed in 2016 (ii) the Communications Compatibility and Security Agreement (COMCASA), signed in 2018 and (iii) the Basic Exchange and Cooperation Agreement (BECA), which was signed in 2020. These allow for the reciprocal provision of logistics support and services; the transfer and use of encrypted communications equipment; and the exchange of geospatial intelligence.

Furthermore, the countries signed a helicopter cross-decking agreement (HOSTAC), an Industrial Security Annex (ISA) and the General Security of Military Information Agreement (GSOMIA) agreement which allows the U.S. government to share classified data with Indian defence firms.[5] In April 2022, The U.S. and India also signed a Space Situational Awareness (SSA) arrangement, which lays the groundwork for more advanced cooperation in space.

3. What is an Anti-Access and Anti-Denial Strategy? How does China Hamper the Free and Open Indo-Pacific Region?

Anti-Access/Area Denial or A2/AD strategy is an attempt to deny an adversary's freedom of movement on the battlefield, or in this case, a territorial region. Anti-access – of enemy military movement into an area of operations – utilises attack aircraft, warships, and specialised ballistic and cruise missiles designed to strike key targets. While Area denial – denial of enemy freedom of action in areas under friendly control; employs more defensive means such as air and sea defence systems.[6]

Across much of the Indo-Pacific region, the Chinese Communist Party (CCP) is using military and economic coercion to advance unlawful maritime claims and threaten maritime shipping lanes, destabilising the region, all while violating the regulations set by the United Nations Convention on the Law Of the Sea (UNCLOS).

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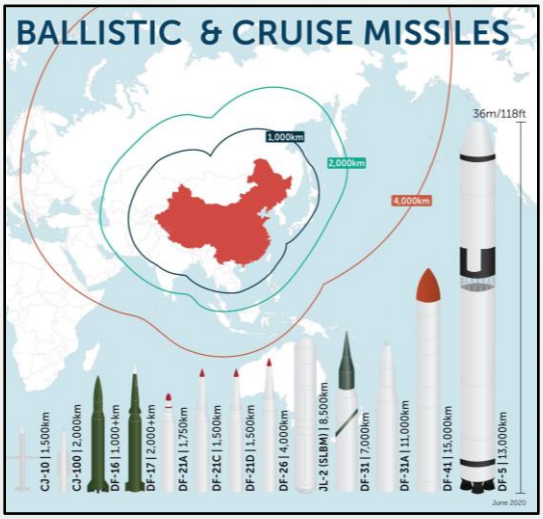
4 Supra Note 3

5 *Ibid*

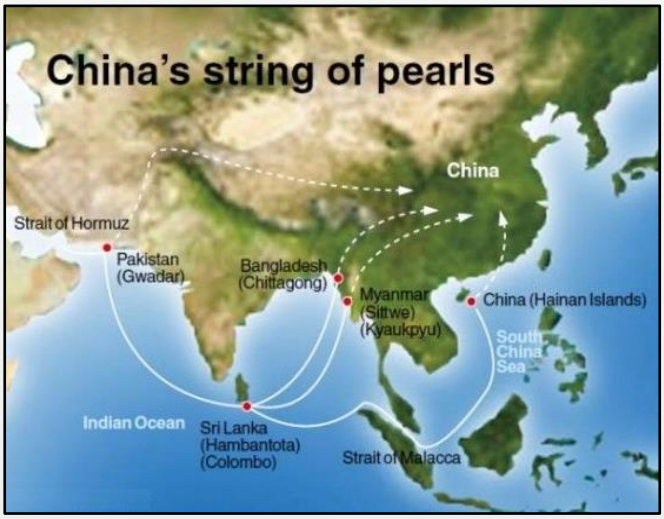
6 "China's Anti-Access Area Denial – Missile Defense Advocacy Alliance." Missile Defense Advocacy Alliance, 24 August 2018, https://missiledefenseadvocacy.org/missile-threat-and-proliferation/todays-missile-threat/china/china-anti-access-area-denial/.

China has emerged as an assertive regional power in the Asia-Pacific with forceful A2/AD capabilities, using advanced ballistic and cruise missiles in conjunction with air and maritime defence systems to deter the U.S. military operations in the region (refer to Map 2). China's A2/AD is concentrated around Taiwan and the South China Sea, thus cutting off access to the oceans near East Asia. This disrupts freedom of navigation not just for the U.S., but also for the international community. It severely mitigates their ability to conduct any operations in the Asia-Pacific as they are left vulnerable. Thus, China's use of A2/AD directly opposes the local and regional interests of the U.S. and its allies in the Indo-Pacific Region, hampering the vision of a free and open Indo-Pacific.

To add to this, China's "String of Pearls" strategy (refer to Map 3) is monopolising strategic choke points in the Indian Ocean region by investing in geopolitically important ports, thus encircling neighbouring countries, particularly India. For instance, the Coco Islands of Myanmar, allegedly leased to China since 1994, are located at a crucial point in traffic routes between the Bay of Bengal and the Strait of Malacca. The Coco Islands thus serve as an ideal location for monitoring Indian naval and missile launch facilities, in the Andaman and Nicobar Islands and maritime movements throughout the eastern coast of India.



Map 2



Map 3

4. Why is India an Optimal Location for Establishing MRO Facilities for Quad Countries, and in What Way Will it enhance India's Strategic Capabilities?

The Indian MRO industry size is expected to increase from US$1.7bn in 2021 to US$4.0bn by 2031, at a compound annual growth rate (CAGR) of 8.9 per cent against the expected Global CAGR of 5.6 per cent. A competitive Indian Maintenance, Repair and Overhaul (MRO) industry helps local airlines reduce expenses on such works which are

currently done mostly overseas and enables India to render MRO services to other countries.

For MRO facilities, India has all the capacities, manpower and soft skills required, with the availability of a low-cost, multi-lingual educated workforce, a diverse pool of highly qualified engineers and a vast geographical coastline. Hence, with India's growth potential, it is an optimal destination to set up MRO facilities for the Quad countries.

India has 13 major ports (refer to Map 4) and many more important ports, located in the Arabian Sea, Bay of Bengal and the Indian Ocean region. Thus, India can provide MRO support to the ships passing through the region from the Quad countries or their facilities, like the U.S. base in Diego Garcia. Instead of going to Gwadar or Chabahar ports, the Quad nations can save time and costs with easy access to Indian ports.

Map 4

For instance, in August 2022, a US Navy Ship (USNS) Charles Drew docked at the Indian port, Kattupalli port in Tamil Nadu, for mid-voyage repairs. Indian advancements and initiatives like the SAGAR scheme, which envisions "Security and Growth for All in the Region", assume a special significance in furthering the strategic partnership between nations. Thus, India can showcase and increase its strategic and defense capabilities through its MRO industry and help achieve the vision of a Free and Open Indo-Pacific.

5. How Can the Quad Mitigate the Non-Traditional Security Challenges in the Indo-Pacific Region?

In the first-ever in-person Leaders' Quad Summit in September 2021, the leaders put forth ambitious initiatives that advance practical cooperation. These included ending the COVID-19 pandemic, by increasing production and access to safe and effective vaccines; promoting high-standards infrastructure; combatting the climate crisis; partnering on emerging technologies, space, and cybersecurity; and cultivating next-generation talent in all of its member countries.[7] This was a major initiative in mitigating the non-traditional security challenges in the Indo-Pacific Region.

A broader Quad agenda that covers cooperation on Non-Traditional Security (NTS) challenges, can include selected Association of Southeast Asian Nations (ASEAN) member countries on issue-based cooperation, without being seen as directed against China. This is the reason why the Quad countries are emphasising the centrality of ASEAN to the Indo-Pacific concept, as a bridge between the Indian and Pacific Oceans.

On the sidelines of the Quad Leaders' Tokyo summit, in 2022, the U.S. and India launched an iCET to facilitate outcome-oriented cooperation in areas such as AI, quantum computing, 5G/6G, biotech, space and semiconductors. It would aim at forging closer linkages between the government, academia and industries.

India, from the beginning, has emphasised a broader agenda for the Quad, including humanitarian assistance and disaster relief, piracy, human trafficking, uncontrolled fishing, resource scarcity and irregular migration. In this way, the Quad is working on developing a robust architecture for disaster management and capacity-building within the Indo-Pacific.

6. What is MDA? How does the Quad's Indo-Pacific Partnership for MDA Enhance the Security of the Region?

Maritime Domain Awareness (MDA) refers to developing an actionable understanding of the ocean environment that helps promote the safety, security and sovereignty of nations, individually and collectively. Broadly, MDA entails the collection, fusion, analysis, display and dissemination of actionable information and intelligence.[8] It is aimed at delivering on promised goals of enhancing maritime security and domain awareness in the region via technology, training and support.

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7 "Fact Sheet: Quad Leaders' Summit." PIB, 25 September 2021, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1757944.

8 Das, Himadri. "MARITIME DOMAIN AWARENESS IN INDIA: SHIFTING PARADIGMS." National Maritime Foundation, 30 September 2021, https://maritimeindia.org/maritime-domain-awareness-in-india-shifting-paradigms/.

One of the substantive new initiatives to emerge from the Quad summit in Tokyo in April 2022, was the plan to build an Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA). The objective is to develop and disseminate real-time activity information, especially dark shipping in the Indian Ocean, Southeast Asia and the Pacific Islands, that will help the littoral states gain greater control over their waters. Besides allowing states to combat illicit and unregulated (IUU) fishing in the Indo-Pacific, the IPMDA will enhance regional capabilities to address natural and humanitarian disasters.

Each of the Quad members' has its space-based assets for maritime surveillance, which are supplemented by their airborne and land-based sensors and by collaborating, the Quad countries can support or operate regional fusion centres. This would include India's, IOR IFC, Australia's sponsored Pacific Fusion Center in the South Pacific, Japan's MDA situational indicational linkages and the U.S. Navy's Sea Vision Platform. By collaborating, like-minded countries could have a shared understanding of developments and threats at the sea.

7. What are the Prospects of the Quad-AUKUS Partnership in the Region?

AUKUS, which is Australia, UK and U.S. trilateral information and collaboration group, on its surface, does not seem to be directly connected to the Quad, but at the strategic level, they are driven by the same concern of growing militarism and violation of laws in the free and open Indo-Pacific region.

The AUKUS which is primarily sharing information and collaborating to develop a nuclear submarine programme indigenous to Australia and working together to develop hypersonic weapons and launch vehicles can become a potential group to counter offensive tactics by adversaries. A strong Australian naval presence in the Indo-Pacific, certainly makes the Quad much more balanced, and the Quad and AUKUS together may increasingly be aligned mutually based on the hardcore real interest for security in the Indo-Pacific.

Through this partnership, the nations of this region would secure their lucrative maritime rights and hold on to their sovereignty. The Quad-AUKUS partnership would make the region look much more balanced against a rapidly militarising and rapidly growing Chinese military presence.

8. Why is Quad Relevant to Enhancing India's capabilities in Critical and Emerging Technologies?

Quad leaders are committed to working together to foster an open, accessible, and secure technology ecosystem. Since establishing a new critical and emerging technologies working group in March 2022, they have organised their work around four efforts: technical standards, 5G diversification and deployment, horizon-scanning, and technology supply chains. Last year, the Quad leaders even launched a statement of principles on technology, along with new efforts that together will advance critical and emerging technologies shaped by our shared democratic values and respect for universal human rights.

Thus, the Quad is relevant and essential in enhancing India's capabilities as it will:

- **Publish a Quad Statement of Principles,** after months of collaboration, on technology design, development, governance, and use that we hope will guide not only the region but the world towards responsible, open, high-standards innovation.
- **Establish Technical Standards Contact Groups** on Advanced Communications and Artificial Intelligence focusing on standards-development activities as well as foundational pre-standardisation research.
- **Launch a Semiconductor Supply Chain Initiative** to map capacity, identify vulnerabilities, and bolster supply-chain security for semiconductors and their vital components. This initiative will help ensure Quad partners support a diverse and competitive market that produces the secure critical technologies essential for digital economies globally.
- **Support 5G Deployment and Diversification** to support the critical role of Quad governments in fostering and promoting a diverse, resilient, and secure telecommunications ecosystem. The Quad has launched a Track 1.5 industry dialogue on Open RAN deployment and adoption, coordinated by the Open RAN Policy Coalition. Quad partners will jointly facilitate enabling environments for 5G diversification, including efforts related to testing and test facilities.
- **Monitor Biotechnology Scanning** and trends in critical and emerging technologies, starting with advanced biotechnologies, including synthetic biology, genome sequencing, and biomanufacturing. In the process, we will identify related opportunities for cooperation.

Part - II

The Relevance of Defense Regulations and Agreements between U.S. and India

1. What is the Defence Technology and Trade Initiative (DTTI) and how does it Enhance the India-U.S. Defense Technology Partnership?

The DTTI is not a treaty or a law. It is a flexible mechanism, which was conceived in 2012 and operationalised in late 2014. It is intended to focus senior U.S. and Indian leadership on opportunities and challenges associated with strengthening the India-U.S. defense partnership. This mechanism enables the two sides to move away from traditional "buyer-seller" relationships, towards a more collaborative approach in technology and trade. It elevates the shared commitment to defense cooperation, helps eliminate bureaucratic obstacles, accelerates timelines, promotes collaborative technology exchange, strengthens cooperative research, and enables co-production/co-development of defense systems for the sustainment and modernisation of our military forces.

The DTTI is led, on the US side, by the Undersecretary of Defence for Acquisition Sustainment and Logistics, and on the Indian side by the Secretary for Defence Production. The executive mechanism centres on the DTTI Interagency Task Force (DIATF) co-chaired by the Executive Director, International Cooperation, OUSD (A&S) and the Deputy Chief of India's Integrated Defence Staff (Policy, Planning and Force Development). Joint Working Groups (JWGs) of domain specialists are constituted from time to time, to address areas of focus, which remain dynamic. The JWGs functional at present are Land Systems (LS), Naval Systems (NS), Air Systems (AS), and Aircraft Carrier Technology Cooperation (ACTC).[9]

A narrative exists on both sides that the DTTI has not delivered adequately. This perspective however fails to take note of the immense progress made by the two sides in "learning to work" through each other's systems, which was a serious challenge hitherto. This impediment now stands substantially mitigated. Other contributions of the DTTI have been towards the designation of India as a "Major Defence Partner of the US"; conclusion of foundational (enabling) agreements; India being accorded STA-1 status; reforms in the Indian Defence Acquisition Procedure; and substantial cooperation in the field of Aircraft Carrier technology and Aero-engines. The DTTI has been a `silent – enabler' and its criticism seems to be largely on account of "unrealistic expectations" of

[9] U.S.-India Defence Technology and Trade Initiative https://www.acq.osd.mil/ic/dtti.html

trade and technology pegged by both sides, initially. The DTTI has helped moderate expectations on both sides, making these more realistic.

With the recent India-U.S iCET, DTTI will function within its overall framework. It will continue to retain its primacy for cooperation in the field of defense.

2. How do CAATSA and Potential Sanctions Influence the Trust between the Two Countries?

The Countering America's Adversaries through Sanctions Act (CAATSA) Bill 2017 legislation was passed in the US Congress to impose sanctions on Iran, Russia and North Korea. On August 02, 2017, President Trump signed the bill into law. It codifies certain sanctions previously imposed, provides for new sanctions to Iran, Russia, and North Korea and establishes new congressional review procedures for terminating or waiving sanctions against Russia.[10]

The Act is divided into Title I, II and III. Title II of the Act primarily deals with sanctions on vital sectors of the Russian industry, such as oil and gas, defense and security, and financial institutions, in the wake of its military aggression in Ukraine and its alleged meddling in the 2016 U.S. Presidential elections. The President is required to impose five or more limited sanction measures (under Sec 235, Para 27) on a person/institution/entity if it knowingly engages in a significant transaction in the defense or intelligence sectors of the Russian Federation.

For considering waivers, the President is required to submit an application to the appropriate Congressional Committees, confirming that the waiver is in the vital national security interests of the U.S. He may also delay the imposition of sanctions if he certifies in a specified period that the person/institution concerned is substantially reducing its number of significant transactions with the blacklisted entities.

In July 2018 - Amid the debates in the U.S. about CAATSA's adverse impact on the US allies and partners, India's case (along with Vietnam and Indonesia) was highlighted. This probably played a role in providing the rationale for granting modified waivers under the National Defence Authorisation Act of 2019.

In July 2022, the U.S. House of Representatives passed a legislative amendment which allowed for the exemption of India from economic sanctions under CAATSA, after the latter went ahead with its procurement of the S-400 missile defense system.[11] The waiver

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10 "The Countering America's Adversaries Through Sanctions Act Becomes Law", DavisPolk. https://www.davispolk.com/sites/default/files/2017-08-07_the_countering_americas_adversaries_through_sanctions_act_becomes_law.pdf

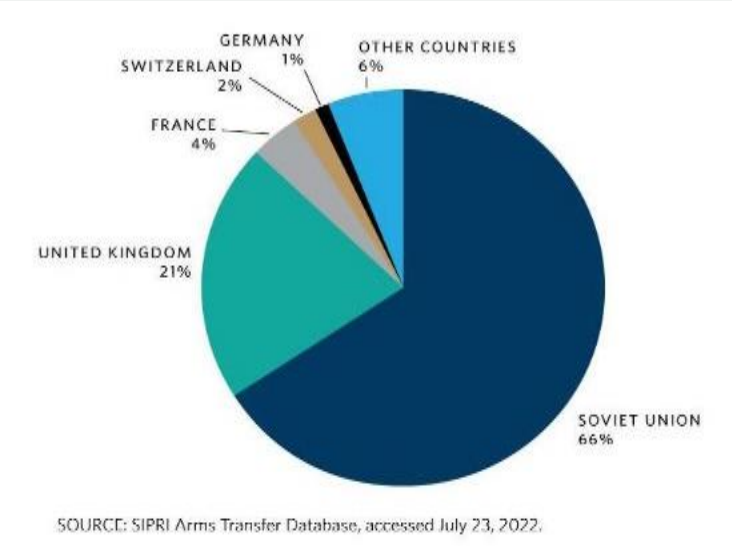
11 "US. House Approves CAATSA sanctions waiver to India for purchase of S400 missile defence system from Russia", THE ECONOMIC TIMES; July 15, 2022

came after extensive brainstorming on the subject and was attributed to a realisation in the U.S. that the imposition of sanctions could have a detrimental impact on U.S.-India ties in the long run. There were also concerns that the sanctions could push the latter closer to Russia. This action demonstrates the extent of mutual understanding and the special significance of the India-U.S. partnership, for furthering shared interests, in the Indo-Pacific.

There is a continual move by India away from dependency on Russian systems and acquisitions. The S400 however complicates the math given the significant cost of the system which fundamentally undermines the basic principle of the amended legislation/waiver authority — meaning year over year total dollar value of annual purchases from Russia continues to diminish. To date, the President has chosen to ignore the matter and press on with the bilateral relationship despite the Government of India's intent to continue with the S400 acquisition.

It is also pertinent to note the Indian perspective, advocating against being subjected to sanctions under CAATSA act. Notably, an Intergovernmental Agreement (IGA) was signed between India and Russia, to procure five S-400 regiments in October 2016, on the side-lines of the Brazil, Russia, India, China and South Africa (BRICS) Summit held in Goa. This was well before the enactment of CAATSA; the legislation process for which took place during the period June-August 2017. After being passed by the US House (June 15) and Senate (July 12), the bill became law upon signing by the President only on August 02, 2017.

Figure 1: Indian Arms Import by Country, 1992-2021



https://economictimes.indiatimes.com/news/defence/us-house-votes-for-india-specific-caatsa-waiver/articleshow/92890576.cms?from=mdr

India has a legacy defense relationship with Russia, built over decades, with the latter being the single largest supplier of defense systems. This relationship was built at a time when the U.S. was not able to partner with India. Even though Russia's share has gradually declined over the years, it still accounts for 45 percent of Indian defense imports.[12]

India has consistently maintained that as a sovereign state, its decisions on the purchase of important defense equipment will be guided by its national interests. The U.S. Secretary of Defence, during his visit to India in March 2021 aptly highlighted that it would be prudent to let Indian armed forces get used to the operational benefits and ease of use of U.S. origin systems, till these become acquisitions of choice; rather than being forced by U.S. pressure – which would be counterproductive. Prudence of this approach is already evident.

3. Do American Investments Help India in Building Domestic Manufacturing Capacity?

A key objective of India's defence reforms is to progressively reduce defence imports by becoming self-reliant. Inherent in this quest is an endeavour to become part of the global supply chains of foreign Original Equipment Manufacturers (OEMs). Incentivising American manufacturers to `make in India,' for India, and the world, will go a long way towards realising this vision.

Presently, however, India's defence ecosystem is inadequately equipped to deliver high-technology solutions to meet the growing demands of the Indian Armed Forces. This gap can be bridged over the long term by systematic capability development, including joint development and absorption of technology, co-development and co-production, enhancing levels of precision manufacturing and through planned investments in all these fields.

The Indian defence PSUs have successfully integrated imported components and sub-systems around the core design of foreign vendors. This has, however, not always been accompanied by the absorption of technology. For example, HAL's value addition in Su-30 production stands at less than 20 percent.[13]

American companies can take note of this trend and endeavour to improve upon it by offering to progressively share/ transfer technology – the levels of transfer and the time periods for this can be worked out mutually. Joint ventures between the American

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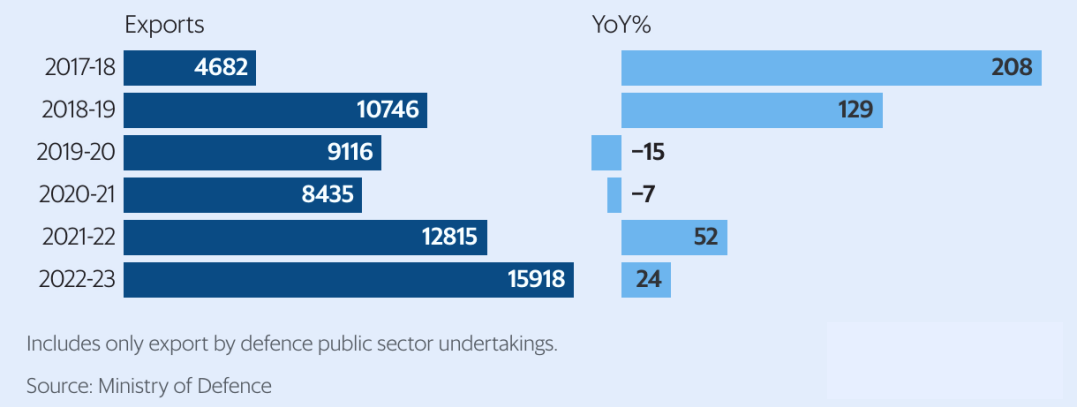
12 "Russia is still India's largest arms supplier, says report", BBC News; March 14, 2023 https://www.bbc.com/news/world-asia-india-64899489

13 Mishra S.N., "The myth of Atmanirbhar Bharat in Defence Manufacturing", The Wire, October 11, 2021 https://thewire.in/political-economy/the-myth-of-atmanirbhar-bharat-in-defence-manufacturing

defence companies and their Indian partners, which initially began as mere offset obligations, have strengthened India's domestic defence-industrial base. This has boosted India's defence exports, and at 34 per cent, the U.S. constitutes the largest destination for these. This is also indicative of the growing integration of the Indian defense industry, including micro, small and medium-sized enterprises (MSMEs) in American global defense supply chains.

Figure 2: India's Defense Exports (in Rs crores) and Year-on-Year Change (in %)



Major U.S. OEMs/Tier-1 suppliers have already entered the Indian market and are in the process of exploring avenues of increased participation through tie-ups /joint ventures (JVs). Many U.S. OEMs over the years have also set up facilities across India through JVs to support indigenous production and enable a robust infrastructure for research and development. These investments help India in acquiring the defense technology that the country is looking for to modernise its defense equipment.[14]

Some notable illustrations of collaboration are a JV between Boeing and TATA group to manufacture Apache fuselages and other structural parts in Hyderabad, a JV between Lockheed Martin and the Tata Group to set up India's first metal bonding facility (inaugurated in 2018), etc. The recent GE Aerospace and HAL MOU to produce F 414 jet engines in India would be the latest addition to this list.

4. What is International Traffic in Arms Regulations? And how does it Hinder Technology Transfer to India?

The International Traffic in Arms Regulations (ITAR) is a US regulatory mandate which controls the export from the U.S. of defense-related articles and services as defined in the U.S. Munitions List (USML), and the regulations state that no non-US person can have physical or logistical access to the articles governed by the ITAR absent licensed approval to do so.

[14] "India-U.S. Defence Partnership", KPMG India; September 2021 https://assets.kpmg.com/content/dam/kpmg/in/pdf/2021/09/indo-us-defence-partnership-road-ahead.pdf

Articles that are covered by the ITAR United States Munitions List (USML) include equipment, components, materials, software, and technical information that can only be shared with US Persons (US Citizens/US Green Card Holders) unless under special authorisation or exemption. Every company involved in the handling, manufacturing, designing, selling or distribution of items on the USML is required to comply with ITAR regulations. The objective of ITAR is to prevent the unauthorised exports of important defence equipment to foreign persons/organisations; the rationale is that niche defense technology that offers a distinct edge to the US armed forces should not get compromised, by allowing unrestricted access to these by other countries.

The stringent regulatory requirements under ITAR make it difficult, even for close allies, to source critical military equipment from the U.S. This also creates a challenge for American firms with an overseas presence, creating barriers to industry-to-industry cooperation. It could disincentive industry players from the U.S. and India from pursuing long-term projects that involve the sharing of technologies, important for India's defence requirements.

An endeavour has been made to mitigate this problem between the U.S. and India, according to Strategic Trade Authorisation (STA) – 1 status to India (August 2018). This allows India license-free access to dual-use military technologies and allows certain controlled items to be exported under defined conditions without transaction-specific licenses. Besides, The "Industrial Security Annex (ISA) to GSOMIA, enabling the private sector defence industry to share classified information and technology was signed in December 2019. These restrictive norms under ITAR may likely get further eased with the implementation of the initiative on Critical and Emerging Technology (iCET).

5. How far have the Foundational Agreements between India and the U.S. been able to enhance the Bilateral Strategic Partnership?

India and the U.S. have concluded the following four foundational agreements, also referred to, in India, as the `Enabling agreements':

- Basic Exchange and Cooperation Agreement (BECA) (October 2020)
- Industrial Security Annex (ISA), added to the General Security of Military Information Agreement (GSOMIA) (December 2019)
- Logistics Exchange Memorandum of Agreement (LEMOA) (August 2016)
- Communications Compatibility and Security Agreement (COMCASA) (September 2018)

The agreements are designed to institutionalise operational engagement between the armed forces of the two countries. The U.S. has entered into such agreements with many other countries, to enhance its operational coordination in different theatres, globally; allowing, the sharing of information, platforms, and logistics.

These agreements represent 'strategic convergence' and contribute towards enhancing interoperability between the two nations. The agreements also constitute a step towards institutionalising defense operational and industrial-cooperation between India and the U.S.

6. Do Indian Defense Manufacturing Policies Encourage U.S. Original Equipment Manufacturers to Invest in this Sector in India?

Several steps have been taken by the Government of India to encourage foreign OEMs to invest in defence manufacturing in India. With six of the world's ten largest defence OEMs headquartered in the U.S., leading American giants can tap into this fast-growing market. In March 2023, the Government of India informed the Parliament that as many as 45 companies/JVs operating in the defence sector with foreign OEMs had been approved.[15]

The two proposed defence corridors, one each in Tamil Nadu and Uttar Pradesh, offer plug-and-play support to the corridor's businesses, including FOEMs. The packages offered include specific incentives such as GST-based sales refunds, stamp duty concessions on land allotment, electricity tax exemptions, capital subsidies and training subsidies for training workers.[16]

Additionally, FOEMs are now also permitted to share product and Indian offset partner's details after contracts are signed. The Strategic Partnership Model proposed by the Government in 2017, is aimed at facilitating long-term partnerships between Indian and foreign entities through an open, competitive process in which they can jointly carry out technology transfers, establish domestic supply chains and set up manufacturing infrastructure.[17] This concept, however, has met with internal headwinds and is yet to be implemented.

As the Indian government eyes an annual defense production value of US$25bn by 2025, globally established American OEMs will have a crucial role to play in scaling the defense production ecosystem in India. American OEMs also have an opportunity to extend their global supply chains to India, to make these cost-effective and secure.

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15 "Govt. approval to 45 companies/JVs operating in defence sector with foreign OEMs", THE ECONOMIC TIMES; March 24, 2023 https://economictimes.indiatimes.com/news/defence/govt-approval-to-45-companies/jvs-operating-in-defence-sector-with-foreign-oems/articleshow/98969574.cms?from=mdr

16 "FDI Reforms in the Defence Sector", India Brand Equity Foundation; August 16, 2022 https://www.ibef.org/blogs/fdi-reforms-in-the-defence-sector

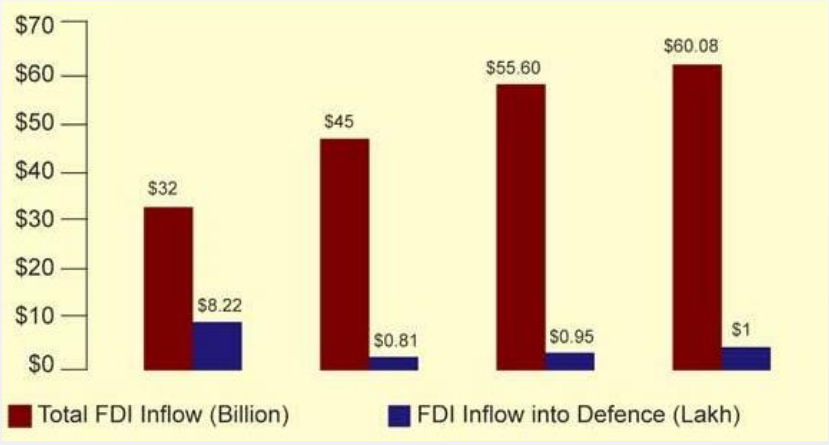
17 *Ibid*

7. Are India's Atmanirbharta Defense Policies a Threat to Foreign Manufacturers?

The objective of `Atmanirbharta' is to make India self-reliant in key sectors, particularly in the field of defence. India sits in a dangerous neighbourhood, amidst two nuclear-armed neighbours. It, therefore, remains constrained to import essential equipment for its defence and security needs, making it the largest importer of global arms. This unenviable reality drives India's quest for self-reliance.

Also, as a significant middle power, maintaining strategic autonomy in the complex global geopolitical environment entails being self–reliant for a country's essential security needs. In achieving this, however, India does not intend to insulate itself from global defense manufacturers. The Chief of Indian Army Staff, General Manoj Pande, last year stated that 'collaboration with foreign companies is intrinsic to India's ambition of becoming 'Atmanirbhar' (self-reliant) in defence production.[18] He further went on to indicate that the nature of collaboration will be one of co-development and co-production.

Figure 3: FDI Inflow Trend: Total and in the Defense Sector



Source: http://www.indiandefencereview.com/news/towards-a-more-vigorous-make-in-india-in-defence-manufacturing/

While it is true that the Government of India is intent on reducing reliance on foreign manufacturers for strategic reasons, it should not be construed as totally ignoring the capabilities which such makers have to offer. Instead, the focus has now shifted to leveraging their strengths to build a globally competitive domestic ecosystem. Some American OEMs, including Boeing, Lockheed Martin, BAE Systems, Honeywell Systems, and Raytheon have invested in partnerships with Indian manufacturers in recent years.

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18 "Collaboration with foreign companies is intrinsic to becoming 'Atmanirbhar' in defence production: Army Chief", The Economic Times; July 28, 2022 https://economictimes.indiatimes.com/news/defence/collaboration-with-foreign-companies-is-intrinsic-to-becoming-atmanirbhar-in-defence-production-army-chief/articleshow/93190217.cms?from=mdr

The Government of India has also, in the recent past, raised the level of permissible Foreign Direct Investment (FDI), in the defense sector, under the automatic route to 74 per cent. It can, however, be raised even up to 100 per cent through the government route in any area where it is likely to provide access to contemporary technologies.

Therefore, Atmanirbhar Bharat is an initiative which blends with the government's overarching vision to leverage the respective strengths of foreign manufacturers, to reorient the defense manufacturing landscape of India.

8. How can India's Defense Offset Policy Facilitate Defense Manufacturing and what are its Limitations?

The key objective of the Defense Offset Policy is to leverage the capital acquisitions by India from global defense firms to strengthen the defense industrial ecosystem. Offset regimes around the world are designed to ensure that leading arms makers of the world selling equipment in purchasing countries invest a percentage of the contract value in the domestic industry.

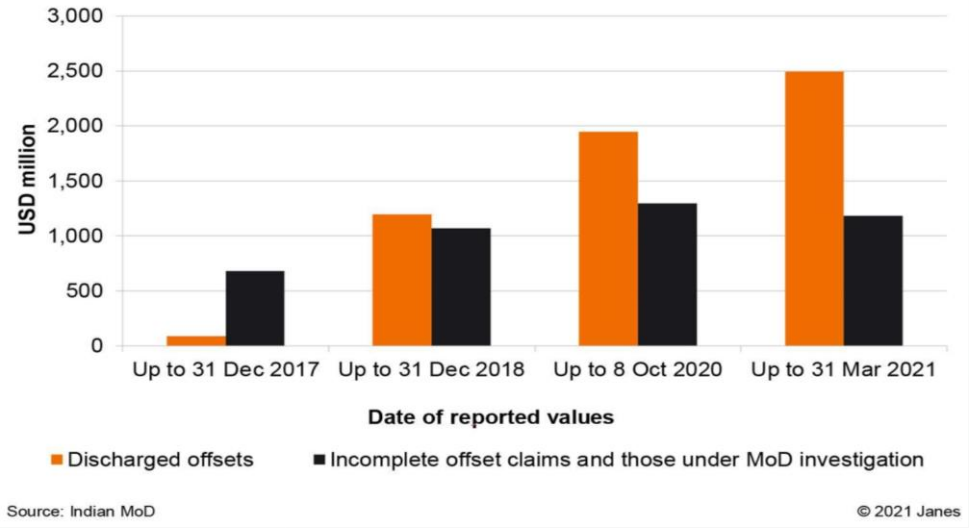
Under the DAP 2020, the offsets obligation will be applicable to acquisitions made under the Buy Global Category, for purchases valued over ₹2000 crores. This category includes the acquisition of equipment manufactured by global vendors (either completely on their own or as part of a joint venture with an Indian manufacturer). DAP 2020 removed offset obligations from some of the categories.

DAP 2020 also did away with the requirement for offsets from G to G deals between the two countries as well as single vendor deals. The revised procedure aims to optimise the utility of offsets in contracts where value addition can be made to the capacity of domestic enterprises. It seeks to enhance the capacities of the domestic manufacturing ecosystem by ensuring that a percentage of the contract value involving foreign OEMs in the purchase of critical equipment gets channelled towards the domestic industry.

However, India's defense offset policy has its share of limitations, as it has not yielded the desired results over the years. The Union Minister for Defence, Ajay Bhatt informed the Parliament in May 2022 that there were as many as 21 offset contracts, amounting to US$2.24bn, in which the vendors defaulted/did not fulfil offset obligations during the five years till December 31, 2021. He also mentioned that penalties amounting to US$43.14mn were imposed against defaulters/non-performing vendors in 16 of these cases.[19]

[19] "India's Defense Offsets Policy: A comprehensive analysis", Financial Express; August 09, 2022 https://www.financialexpress.com/business/defence-indias-defence-offset-policy-a-comprehensive-analysis-2623186/

Figure 4: Defense Offset in India



Indian defense manufacturers still lack the technological know-how to ensure efficient utilisation of technology transferred by foreign suppliers in their internal manufacturing processes and to fulfil offset obligations. A study conducted by the Manohar Parrikar-Institute for Defence Studies and Analyses (IDSA) in 2019 revealed that more than 90 per cent of offset obligation was discharged by the vendors through direct purchase of products and services from Indian companies.[20]

The fact that the Indian defense industrial ecosystem has struggled to come up with indigenous high-value solutions since the offsets regime was introduced, calls for a relook and reorientation of the policy as well as the implementation mechanism. Experience suggests that the larger problem lies in the latter.

9. What is the Arms Export Control Act of the U.S.? What is the Act's Significance for defense-related Technology Transfer to India and whether it requires an Amendment?

The U.S. Arms Export Control Act, of 1976 is an overarching legislation which stipulates the authority and general rules for the conduct of Foreign Military Sales and commercial sales of defense articles, defense services, and training in the U.S. The Arms Export Control Act (AECA) came into existence with the passage of the Foreign Military Sales Act (FMSA) of 1968. An amendment in the International Security Assistance and AECA of 1976 changed the name of FMSA to the AECA. The Act gives the U.S. President the authority to control the import and export of defense articles and services. It requires governments that receive weapons from the U.S. to use them for legitimate self-defense.

[20] Cowshish, Amit "Making the offsets policy work better", MP-IDSA; March 20, 2019 https://idsa.in/idsacomments/making-the-offset-policy-work-better_acowshish-200319

The Act has multiple implications for countries involved in making major defense acquisitions from the U.S., such as India. Historically, the State Department's insistence on maintaining close oversight over the transfer of important defence technology has seen it apply a wide definition to terms such as **'defense article.'** According to the Act, a 'defense article' can be considered as an item or tangible good, a service, or technical data, none of which are clearly defined by this law or elsewhere.[21]

The Department has used this definitional construct to bring most defense articles under its ambit, which dissuades the industry from carrying out unhindered exports, even to allies/ partners/friendly countries. Therefore, the Act needs to be amended or modified to remove certain anomalies. There is no level of materiality, tiered system or hierarchy of classification for different types of defence items: everything, therefore, must be treated the same and with equal vigor.[22]

The control regime must be streamlined to reorient its generalised application in a more specific manner to cover the transfer of select defense technologies and articles. This list should be a pre-defined one, which offers specific explanations for key definitions.

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21 ARMS EXPORT CONTROL ACT [Public Law 90-329] [As amended Through P.L. 117-263, Enacted December 23, 2022], Available at https://www.govinfo.gov/content/pkg/COMPS-1061/pdf/COMPS-1061.pdf

22 Breaking the Barriers: Reforming U.S. Export Controls to Realize the Potential of AUKUS, UNITED STATES SERVICES CENTRE, May 17, 2023. Available at https://www.ussc.edu.au/analysis/breaking-the-barriers-reforming-us-export-controls-to-realise-the-potential-of-aukus


DEFENSE NEWS CONCLAVE:
STORIES OF U.S.-INDIA DEFENSE AND SECURITY PARTNERSHIP
Dialogues on Deliverables to Deliveries


SUBRATA SAHA


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About the Project

Under the Defense News Conclave Project, supported by the U.S. Department of State through the U.S. Consulate General, Kolkata, CUTS International organised a series on virtual and in-person workshops. The project deliverables aimed to create a circuit of informed stakeholders in India for strengthening the U.S.-India defense and security partnership by generating necessary awareness among diverse media professionals and other relevant stakeholders.

The project covered sessions focusing on good practices of the U.S.-India defense and security partnership in general and its relevance for the U.S.-India strategic partnership in the Indo-Pacific region, in particular. Among others, the conclave looked at the milestones set and achieved, policies, and gaps to be filled to secure a free, open, inclusive, and prosperous Indo-Pacific region.

In light of the above, CUTS International, through this project, organised a series of in-person and virtual workshops to train 120-150 informed journalists, storytellers, media professionals, social media influencers, and community leaders from India on the subject. Defense experts, government officials, corporate leaders, defense companies, entrepreneurs, and researchers from the U.S and India were chosen to impart the training.

https://cuts-global.org/defense-news-conclave.htm

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