

SPECIAL REPORT no. 153

An Agenda for Innovation in the U.S.-India Defence Relationship

ORF and The Asia Group



JULY 2021

Introduction

On 30 March 2021, The Asia Group (TAG) and the Observer Research Foundation (ORF) convened their first roundtable under the TAG-ORF *India Innovates* platform. The virtual roundtable^a gathered a distinguished group of senior representatives from the Indian and US governments, the policy community, and industry, to discuss the current state and future priorities of the defence relationship between the two countries. The participants discussed relevant topics that included the shared interests and values uniting Washington and New Delhi, the gradual alignment of priorities and remaining challenges between the industries of the two countries, and the impact of US-India relations with third countries on the trajectory of their bilateral defence ties.

The participants agreed that the bilateral defence relationship rests on a broad and deep foundation, constructed through the focus and vision of a succession of US and Indian governments and accelerated by their increasing alignment on key strategic issues. Most importantly, US and Indian policymakers, strategists, and industry leaders remain committed to the continued expansion of this relationship and to the successful navigation of potential challenges.

This report builds on the insights shared during the roundtable. It gives a summary of the discussion and outlines a set of five recommendations that can help advance the bilateral relationship.

Attribution: ORF and The Asia Group, “An Agenda for Innovation in the U.S.-India Defence Relationship,” *ORF Special Report No. 153*, July 2021, Observer Research Foundation.

a The proceedings of the roundtable were off-the-record.

Summary of Discussion

A Strong Foundation: Policymakers in both Washington and New Delhi agree that the US-India defence relationship rests on the pillar of a bipartisan, cross-party commitment to a stronger relationship. This commitment has enabled the achievement of a remarkable set of achievements in recent years: In 2016, the United States named India a Major Defense Partner—a unique designation denoting India as the US’s most important non-treaty security partner. Between the years 2017 and 2020, the two countries accomplished the following:

- Finalised the last two of four foundational enabling agreements—i.e., the Communications, Compatibility, and Security Agreement (COMCASA); and the Basic Exchange and Cooperation Agreement (BECA) to allow for the sharing of high-end capabilities, equipment, and intelligence;
- Grew the defence trade pipeline to more than USD 20 billion, with sales that include the cutting-edge P-8I anti-submarine warfare aircraft and the MH-60R naval helicopter;
- Initiated an annual “2+2” ministerial dialogue, putting India on par with top US allies;
- Revived and rejuvenated the Quadrilateral Security Dialogue with Australia and Japan; and,
- Expanded military cooperation in response to Chinese aggression along the Sino-Indian border.

“India-US defence relationship rests on a deep foundation, constructed through the vision of a succession of US and Indian governments.”

Strategic Convergence: The US-India defence relationship is supported by a bipartisan, cross-party commitment in both Washington and New Delhi to deepen and broaden defence cooperation on the basis of shared democratic values and converging interests across a range of economic, political, and security issues. Most importantly, in the past few years, New Delhi has come into closer alignment with the United States on essential strategic issues: India and the US share concerns around China’s growing ambitions, its assertive behaviour in the Indian Ocean region, increasing use of cyberwarfare, and, most critically, its territorial aggrandisement along the Sino-Indian border.

While areas of disagreement remain, policymakers in New Delhi and Washington are sharing ideas about how best to respond to existing threats. There is agreement in both capitals on the need to develop closer relations with and among likeminded partners, foster more resilient economies and societies, bolster deterrence through the acquisition of high-end capabilities, and expand US-India cooperation beyond the traditional defence issue set.

Today, the relationship remains anchored in shared values and interests, but the United States and India are also united by a shared commitment to enabling the latter to become a leading power in the Indo-Pacific region. That US Secretary of Defense Lloyd Austin visited New Delhi before visiting the US’s NATO allies only underscored the United States’ commitment to this vision. Discussants in the ORF roundtable identified four key priorities for the defence relationship:

- Support India to realise its vision as a defence leader in the Indo-Pacific region;
- Build capacity in the bilateral relationship to operate collectively in terms of responding to disasters and to bolster deterrence;
- Continue to expand high-end defence technology cooperation; and,
- Anchor the relationship in the broader Indo-Pacific security architecture, including through expanding bilateral defence cooperation into broader multilateral forums in line with India’s Act East policy framework.

Persistent Challenges: Despite progress in the recent years, participants acknowledged, there is a range of challenges that remain:

- **Continued Disappointment with DTTI:** While the Defense Trade and Technology Initiative (DTTI) has served as a “silent enabler” to support greater defence technology cooperation between the United States and India, it has also generated disappointment as it has often been perceived, incorrectly, as a venue for fast-tracking sole-source contracts on major defence articles. Technologies identified for co-development and production were unviable and of questionable commercial potential and operational requirements.
- **CAATSA Sanctions:** The question of whether the United States will impose sanctions on India for its planned purchase of the Russian S-400 air and missile defence system hangs over the bilateral relationship and threatens to reverse decades of progress. The threat of sanctions continues to dominate high-level discussions and public perceptions of the relationship; during US Defense Secretary Lloyd Austin’s trip to India in March, news headlines were dominated by his answer to a question on CAATSA sanctions, diverting the

focus from more important issues. If the United States does follow-through on the threat of sanctions, bilateral relations could be set back by decades, and the US risks being viewed as an unreliable, overdemanding, and capricious partner.

- **Procurement Challenges – Export Controls, Acquisition Delays, and Budget Woes:** Defence technology cooperation has rightly been a fundamental area of focus for the US-India defence partnership. Extensive engagement has yielded important results, including supporting the emergence of India’s defence industry and increasing US-India partnership opportunities. Yet, obstructive and cumbersome export controls, legal restrictions, and review procedures continue to frustrate both capitals. Misaligned procurement processes, opaque decision-making, and lengthy delays in closing on bids in New Delhi further contribute to misunderstandings and speak to the need for improved efforts to build familiarity with acquisition processes. At the same time, India’s extensive defence requirements have generated enthusiasm and significant investment by US defence industries, although India’s budgetary woes continue to delay and derail large programmes.

Recommendations

The arrival of a new US administration and accelerated US-India strategic alignment offer the opportunity to expand and operationalise the bilateral defence relationship while also managing lingering points of friction. This report proposes an agenda for advancing and innovating the US-India defence relationship. The report identifies specific recommendations to help policymakers in Washington and New Delhi advance US-India defence ties.

- 1. Expand Combined Humanitarian Assistance/ Disaster Relief Capacity:** Disasters are frequent occurrences throughout the Indo-Pacific region. The US and India each have substantial capacity to respond to humanitarian emergencies both at home and abroad. Indeed, it was the US, Japanese, and Australian response to the 2004 tsunami disaster that provided the original impetus for the Quadrilateral Security

Dialogue. That response not only saved countless lives, but also built goodwill and provided a foundation for future cooperation.

The US and India should continue to expand their ability to plan, train, and operate collectively on disaster relief. This would enable new habits of cooperation, enhance interoperability, and help operationalise the Logistics Exchange Memorandum of Agreement (LEMOA) enabling agreement. Finally, effective bilateral disaster response would demonstrate to skeptics that the United States and India can cooperate in meaningful ways.

2. **Focus Defence Cooperation on Mission-Driven and Requirements-Based Capabilities:**

The United States and India should reorient their defence technology cooperation towards mission-driven and requirements-based collaboration. This will ensure that bilateral technology cooperation is designed to satisfy capability requirements to address specific and mutual challenges or threats. Such mission-driven, requirements-based technology cooperation will help satisfy US policy requirements that technology cooperation and transfers clearly advance US national security interests. Some immediate areas of focus include: intelligence, surveillance, and reconnaissance; maritime domain awareness; anti-submarine warfare; and air combat power. Doing so may require the US to loosen some export controls to reflect India's unique status as a Major Defense Partner; for its part, India will need to recognise that closer defence technology cooperation with certain countries will make cooperation with the United States more challenging.

3. **Expand Defence Technology Cooperation in New Domains:**

As part of the effort to reorient defence technology cooperation towards mission-driven and requirements-based collaboration, India and the US should accelerate cooperation and include, for example, the cyber and space domains

where both countries face immediate and increasingly active threats. Bringing cyber and space issues into the 2+2 should be an explicit area of focus for the US-India 2+2 Ministerial and working-level meetings. To ensure a comprehensive discussion, the 2+2 should include representatives from India's Defense Cyber Agency and the US Cyber Command and from relevant offices throughout the US and Indian Services as well as the Departments of Defence and State, and Ministries of Defence and External Affairs. Additionally, both countries should be more aggressively exploring co-production opportunities in next-generation areas that would take advantage of the thriving high-tech sectors in both countries.

4. **Launch DTTI 2.0.**

DTTI should be reinvigorated, with an explicit mandate to drive cooperative research, development, and production of defence technologies. Key to DTTI 2.0 will be leveraging recently concluded agreements on information-sharing and industrial security, as well as identifying platforms and systems most relevant operationally to the strategic objectives of Indo-US defence relationship. The DTTI must develop further ties with Indian industry, for example through leveraging the recently established Industry

Collaboration Forum. In addition, governments on both sides must cultivate interest in Indian and American universities that can help incubate joint R&D projects, especially “blue sky” endeavours with little expectation of immediate returns. As a word of caution, while there exists appetite for big-ticket items, budgetary constraints and operational utility must be considered when identifying projects.

- 5. Manage India-Russia Relations.** India maintains a historical defence relationship with Russia; the majority of legacy Indian equipment are of Russian or Soviet origin. Potential sanctions related to India’s purchase of the Russian S-400 air defence system threatens to reverse decades of progress in the bilateral relationship. But the United States and India are not allies. The US’s interest is in strengthening India as a counterweight to China, not in converting India into a NATO or Japan-like ally. The continued threat of sanctions unnecessarily corrodes bilateral relations and threatens to overshadow decades of progress in this key relationship.

The United States should accept, and manage, the reality of India’s historic relationship with Russia. Washington should grant India a waiver from CAATSA on the grounds that India makes positive contributions to regional security and is gradually diversifying its military suppliers, including dramatically increased purchases from the United States. India, meanwhile, will also need to recognise that defence technology cooperation with Russia will make cooperation with the United States more challenging.

Conclusion

“India and the US should anchor their relationship in the broader Indo-Pacific security architecture.”

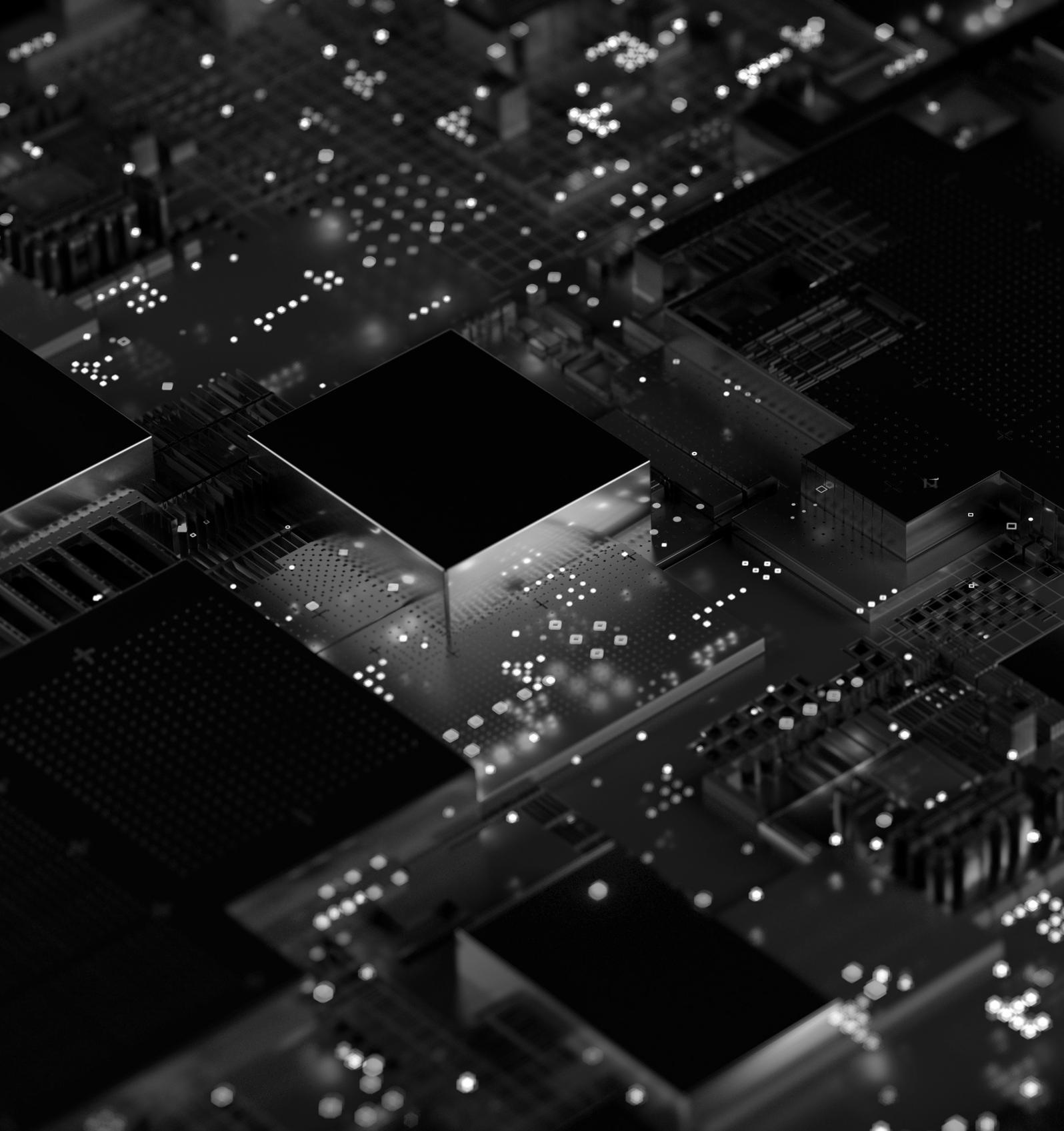
While bilateral defence ties between India and the US are robust owing to broad political support in both countries, there is scope for further expansion.

This will require the two countries to make more of existing engagement mechanisms and work towards building out new ones. Forging new avenues to

work together, particularly at the operational, industrial, scientific and academic levels, is key to ensuring that India-US defence ties remain dynamic. 

Cover image: Getty Images / Bloomberg Creative

Back cover image: Getty Images/Andriy Onufriyenko



Ideas . Forums . Leadership . Impact

**20, Rouse Avenue Institutional Area,
New Delhi - 110 002, INDIA
Ph. : +91-11-35332000. Fax : +91-11-35332005
E-mail: contactus@orfonline.org
Website: www.orfonline.org**



THE ASIA GROUP

**2101 L St NW, Suite 310
Washington, D.C. 20037
United States of America
Ph. : +1.202.350.3200
E-mail: info@theasiagroup.com**