

China-India Brief

A publication of the Centre on Asia and Globalisation



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 CENTRE ON ASIA
AND GLOBALISATION

The *China-India Brief* is a bi-monthly digest focusing on the relationship between Asia's two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

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Guest Column

India's Defence Production Capability

By Rajat Ganguly

Between 2016 and 2022, India has spent over \$450 billion on defence, accounting for around 2.6 percent of its gross domestic product (GDP). This places India as one of the largest military spenders in the world after the United States (US) and China. In addition, according to a October 2022 [SIPRI report](#) on the arms production capabilities of states in the Indo-Pacific region, India is ranked as the largest net importer of weapons. What this means is that India is still importing most of its advanced military hardware, with Russia and the US as its biggest suppliers. This has implications for India's military modernisation and preparedness to meet future challenges, particularly from China and Pakistan.

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Critics have pointed out that the bulk of India's annual defence budget is spent on salaries and pensions, leaving limited resources for the procurement of weapons, ammunitions, and other needed gear. Therefore, if India keeps importing expensive weapons, this may leave significant gaps in its military preparedness to meet future strategic threats. The Indian government is aware of this problem, and Prime Minister Narendra Modi has placed indigenous defence production at the center of his Atma Nirbhar Bharat (self-sufficient India) initiative.

But can India meet its future defence needs through domestic defence production? According to the October 2022 [SIPRI report](#), India's domestic production currently accounts for just 16 percent of its total defence procurement. By comparison, 92 percent of China's defence procurement is sourced from domestic defence production. This means that India is behind China not only in terms of net defence spending (in 2022, approximately \$76 billion for India and \$293 billion for China) but also in terms of the pace and reliability of its military modernisation programme as most of China's military needs are met from domestic sources. Several reasons can be put forward to explain this lag.

First, in the first couple of decades after independence, the strategic thinking of India's political leadership was limited to maintaining conventional military superiority over Pakistan and staying out of

Cold War politics and strategic entanglements. India's political leaders also largely underestimated the military threat from China. As a result, India's indigenous defence industrial capability remained practically non-existent. From the 1970s onwards, successive governments supported the idea of military modernisation but preferred to procure most of the military hardware from outside suppliers rather than make a serious push to build them indigenously. The bulk of the purchases in the 1970s and 1980s came from the Soviet Union. With the collapse of the Soviet Union, India's import of military weapons diversified to include suppliers such as the US, France, Israel, Britain, and Japan. However, since the bulk of India's advanced weapons systems were largely Soviet made, the collapse of the Soviet Union and Russia's unreliability as a supplier in the 1990s adversely affected India's military readiness and modernisation.

Second, for a long time after independence, the Indian government did not allow private manufacturers to take part in defence production. Whatever little defence production that took place indigenously in India remained a monopoly of government-controlled public sector firms such as Hindustan Aeronautics Limited (HAL). These state-run defence manufacturers invested little in research and development, had a patchy record of precision manufacturing, and often vehemently opposed the entry of private competitors into the defence manufacturing sector. For

instance, since the 1980s, HAL had tried to develop a light combat fighter aircraft for the Indian Air Force (IAF), but the project was bedevilled with design and manufacturing delays. This then led the Indian government to sign a deal with French aerospace company, Dassault Aviation, for the manufacture of 126 Rafale fighter jets in India in collaboration with HAL. Within a few years, the French company raised serious doubts regarding HAL's technical competence to manufacture the aircraft in India, further delaying the acquisition that was of critical need to the IAF.

Finally, India's defence acquisitions processes have been mired in all sorts of corruption allegations. In the 1980s, the corruption stink with regards to the acquisition of the Swedish-made Bofors howitzers reached all the way up to the office of Prime Minister Rajiv Gandhi and helped bring down his government. When Narendra Modi entered office in 2014, his government cancelled a \$728 million order with Augusta Westland, a UK-based subsidiary of Finmeccanica, an Italian conglomerate, for twelve VVIP helicopters after allegations of bribery surfaced. The Ministry of Defence also ordered an investigation into alleged irregularities in the \$847 million procurement of 145 M-777 ultra-light howitzers from the US. Monopoly government control and an opaque decision-making process encouraged corruption and considerably slowed down defence acquisitions, which

affected military preparations and readiness. It also further delayed opening the defence manufacturing sector to more efficient private players.

When Narendra Modi entered office in May 2014, his government expressed the desire to produce at least 70 percent of India's required military equipment domestically by 2020. India is nowhere close to this target. But despite a slowing economy and supply chain disruptions caused by the COVID-19 pandemic, the Modi government has taken several positive steps to boost indigenous defence production and increase the indigenous component of the weapons and equipment used by the Indian military with a view towards creating self-reliance in defence.

The Indian government has opened the defence manufacturing sector to domestic private companies and has encouraged these companies to collaborate on technology development, research, and manufacturing with domestic public firms, the Defence Research and Development Organization (DRDO) and foreign suppliers to jointly produce military equipment in India for the Indian military and for exports; it has also encouraged and supported the setting up of defence startups by domestic private players.

In August 2020, May 2021, and April 2022, the Ministry of Defence promulgated three "indigenisation lists" that included over 300 defence items that would be procured from

domestic sources. This was followed in October 2022 with the “Fourth Positive Indigenisation List.” The Fourth list contained over 101 items, of which seventy-five items were to be procured from indigenous sources between 2025 and 2032. These included long range UAV (HALE), medium range reconnaissance aircraft, long range anti-ship missile for ships, 30 mm naval surface guns, shipborne unmanned aerial system, automatic missile detection radar for ships, landing platform dock, and surface-to-surface missile Pralay. The Ministry of Defence further announced that it would facilitate and support a transparent process so that the indigenisation targets of the fourth list could be met on time as per the provisions laid out in the Defence Acquisition Procedure 2020.

Under the Modi regime, public sector defence suppliers have significantly improved their performance, which has given a further boost towards indigenisation of defence procurement. After long delays, the HAL built Tejas light combat fighter jet has been inducted into the IAF. With more indigenously built aircraft in the pipeline, the induction of the Tejas will significantly boost the squadron strength of the IAF. A light combat attack helicopter, manufactured by HAL, has also been inducted into the IAF. India’s second aircraft carrier, the Cochin Shipyard built INS Vikrant, has been commissioned into the Indian Navy. Construction work on a larger indigenously built third aircraft carrier, INS Vishal, is ongoing. The Indian

Navy has also commissioned the indigenously built nuclear attack submarine, INS Arihant, which allows India to complete its strategic triad. A second indigenously built nuclear attack submarine, INS Arighat, is in the pipeline.

Speaking at the recently concluded Defence Expo in Gandhinagar, Gujarat, Modi said that decisions to induct ‘Make in India’ defence items into the Indian military were taken not because of the will of political leaders but because of the courage shown by India’s military leadership and their confidence in the quality and usefulness of the indigenously built products. Lauding the entry and contribution of domestic private players in the defence manufacturing sector, Modi further **said**, “this is the first defence expo where only Indian companies are participating and it features only Made in India equipment.”

Additionally, over the past five years, the export of Indian-made defence items has risen a **reported** 334 percent with sales to over seventy-five countries, particularly in Asia and Africa. A whopping 70 percent of India’s defence exports have come from the private sector. The biggest defence export deal that India has signed is with the Philippines, a \$375 million deal to supply the Brahmos supersonic cruise missile to the Philippine military. Discussions are also ongoing with Egypt for the sale of Tejas fighter jets to the Egyptian air force. Private Indian defence companies are also now an important part of the supply chain for

leading US defence manufacturers.

So, the overall defence production capability of India is rising rapidly. Still India has a long way to go to catch up with China. But a much-needed strong push towards achieving self-reliance in defence manufacturing has been made under the Modi government.

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