

China-India Brief

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 Lee Kuan Yew
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 CENTRE ON ASIA
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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.

Rajat Ganguly, PhD., is the Editor-in-Chief of the *Journal of Asian security and International Affairs*. He specialises in international relations, international security, defence and strategic issues, and conflict and peace studies with a particular focus on Asian politics and international affairs.

News Reports

Bilateral relations

Bridges along Xizang-Xinjiang highway named after Chinese heroes in Galwan Valley border clash

Global Times, November 4

Names of the four martyrs who sacrificed lives in the deadly Galwan Valley border clash with Indian troops in 2020 now appear at the road signs along the Xizang-Xinjiang highway.

Navy tracks Chinese surveillance vessel in Indian Ocean ahead of missile test

Hindustan Times, November 4

The Indian Navy is tracking a Chinese surveillance vessel, Yuan Wang 6, which entered the Indian Ocean region a week ahead of a scheduled missile test by India over the Bay of Bengal.

Xi sends condolences over Indian bridge collapse

China Daily, November 2

In his message, President Xi said he was shocked to learn about the accident and the heavy casualties caused by it.

Better India-China ties in world's interest: Jaishankar

Hindustan Times, October 27

External affairs minister Jaishankar said that the normalization of Indo-China relations is in the interest of the countries and the region. He emphasised the development of India-China relations guided by the 3 mutuals, i.e., mutual respect, mutual sensitivity, and mutual interest.

China and India in the Region

India ready to help 'de-risk' Ukraine situation, Jaishankar tells Russia

The Hindu, November 8

Russia is India's "steady and time-tested partner", said External Affairs Minister S. Jaishankar, speaking after meetings in Moscow on Tuesday (November 8).

Amid chill in China ties, India and Taiwan look to 'deeply engage' in electronics, chips and green tech

South China Morning Post, November 5

Declaring intentions to "deeply engage" with India, Taiwan's deputy economic affairs minister announced the signing of at least 20 MoUs between business groups from the island and India in New Delhi.

China calls for protection of Pakistan projects, peaceful end to Kashmir dispute

South China Morning Post, November 3

China has reiterated its call for a peaceful resolution to the Kashmir dispute and the protection of Chinese investments in Pakistan, as Prime Minister Shehbaz Sharif wrapped up a two-day official visit to Beijing.

At SCO meeting, India refuses to endorse China's ambitious BRI

The Economic Times, November 1

External Affairs Minister S Jaishankar, who attended the virtual meeting, earlier told the forum that "connectivity projects should respect the sovereignty and territorial integrity of member states and respect international law."

Trade and Economy

India's scrutiny of Chinese firms turns to MG Motor

The Straits Times, November 6

India has begun an inquiry into China-owned carmaker MG Motor India over alleged financial irregularities, in yet another instance of deepening scrutiny of Chinese firms operating in the country.

Apple Adds New iPhone 14 Maker in India in Shift From China

Bloomberg, November 4

The move makes Pegatron the second Apple supplier to produce the iPhone 14 in the country.

India wants to loosen import reliance on China, but it's 'becoming worse'

South China Morning Post, November 2

China's exports to India increased by 31 percent to \$89.6 billion in the first nine months of this year. Indian exports to China – its largest trading partner, according to Beijing – declined by 36.4 percent in the same period, falling to \$13.9 billion.

India may let Chinese firms enter via JVs with local companies

Channel News Asia, November 2

A joint venture (JV) proposal could be cleared if the Indian partner holds a majority stake and controls the board, according to the report, although it said no conditions have been finalised.

Energy and Environment

COP27: Top climate envoy says Beijing committed to carbon neutrality

South China Morning Post, November 9

Xie Zhenhua, China's top climate diplomat, said Beijing is firmly committed to reaching its carbon neutrality goal.

Russia becomes India's top oil supplier in October

The Hindu, November 6

India has remained non-committal on a plan proposed by the G7 group of nations to cap the price of oil purchased from Russia as a means of limiting Moscow's revenue.

'Hazardous' smog chokes India's capital

Channel News Asia, November 3

Smog in New Delhi hit "hazardous" levels on Thursday (November 3) as smoke from thousands of crop fires in northern India combined with other pollutants to create a noxious grey cocktail enveloping the megacity.

'China's gas consumption may post first fall in 20 years'

The Business Standard, November 3

China's 2022 natural gas consumption may post the first decline in two decades amid a struggling economy, with demand this winter set to rise more modestly than in previous years, state energy officials said on Thursday (November 3).

Analyses

How China, India and Bangladesh could be drawn into Myanmar's conflict

The Interpreter, November 9

By David Brewster, Senior Research Fellow with the National Security College, Australian National University

Rakhine state has become a de facto battleground for the competing interests of Beijing, Delhi and Dhaka.

Amid China-US Spat, Can India And Taiwan Set New Milestones in Tech and Trade?

The Quint, November 7

By Sana Hashmi, Postdoctoral Fellow at Taiwan-Asia Exchange Foundation

Engagement with Taiwan is more relevant now when India is building semiconductors and a display fab ecosystem.

Cooperation would benefit both India and the SCO

CGTN, November 3

By John Gong, Professor at the University of International Business and Economics (UIBE), and a Research Fellow at the Academy of China Open Economy Studies, UIBE

If China and India sat down and worked out their issues, it would not only be beneficial for India as a new comer to the SCO, but also the other SCO members and the development of the whole region.

India's fickle geostrategic framework

East Asia Forum, October 29

By Peter Layton, Visiting Fellow at the Griffith Asia Institute, Griffith University and an Associate Fellow at the Royal United Services Institute, London.

India's geostrategic aspirations and modus operandi are not like others.

Books and Journals

How not to deal with a rising China: a perspective from south Asia

International Affairs, Vol. 98, no. 5 (September 2022): 1653–1675

By Amitabh Mattoo, Professor in Disarmament Studies in the Centre for International Politics, Organization and Disarmament (CIPOD), at Jawaharlal Nehru University.

Debates on China's rise often limit the focus on the continuity and sustenance of the United States' hegemony and the liberal global order. This debate often ignores the primacy of the regional actors, who are generally reduced to 'pawns' in great power politics, acting without agency, interests, or values of their own. Instead, this article suggests that as China rises—like any other great power of the past—it will first aim to secure regional primacy through an array of policy instruments. To test this it examines three case-studies: 1) China–Pakistan relations in nuclear proliferation; 2) China–India relations with respect to border conflict; and 3) Sri Lanka–China relations for development infrastructure. It finds that

China's rise has not been benign and instead Beijing has adopted aggressive policies in its neighbourhood. This article finds that the strategic binary of balancing (interest-based containment) and engagement (constructive cooperation) does not reflect immediate realities and long-term sustainability for regional actors. Instead, it suggests the latter would be better advised looking for closer cooperation with like-minded allies in the region (and beyond) as a way forward.

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The Centre on Asia and Globalisation is a research centre at the Lee Kuan Yew School of Public Policy, National University of Singapore. It conducts in-depth research on developments in the Asia-Pacific and beyond, and aims to provide academics, decision-makers, and the general public with objective analysis on issues of regional and global significance. The Centre's motto "Objective Research with Impact" reflects its commitment towards ensuring that its analysis informs policy and decision makers in and about Asia.

OTHER CAG PUBLICATIONS

- *What Can the United States Learn from China about Infrastructure?* by Selina Ho in *The China Questions 2* (Harvard University Press, 2022)
- *Failure to launch? Indonesia against China's Grey Zone Tactics* by Evan Laksmana (IDSS Paper No.37)
- *Remodelling Indonesia's Maritime Law Enforcement Architecture: Theoretical and Policy Considerations* by Evan Laksmana (Contemporary Southeast Asia 44(1), 2022)
- *India-Australia-Indonesia Maritime Partnership: Shared Challenges, Compelling Opportunities* by Premesha Saha, Natalie Sambhi, and Evan Laksmana (ORF, 2022)
- *India Versus China : Why they are Not Friends* by Kanti Bajpai (Juggernaut Books, 2021)
- *Winning the Fight Taiwan Cannot Afford to Lose* by Drew Thompson (Strategic Forum, 2021)
- *Routledge Handbook of China-India Relations* edited by Kanti Bajpai, Selina Ho and Manjari Chatterjee Miller (Routledge, 2020)



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