

## The Potential of Trust: Catalyzing the U.S.-India Defense Partnership

The U.S.-India strategic and defense relationship has come a long way from its nadir in the late 1990s, but we must remember that this relationship has a deeper history. The United States and India fought side-by-side in the jungles of India during World War II, showing how deeply we can be united when confronting an existential threat to our values and freedom. The bonds forged during the second world war were the beginning of a deeper strategic trust between our nations, which underpins the written agreements that make the United States and India Major Defense Partners today.

Like all relationships, trust between the United States and India must continually be reinforced – particularly amid rising threats to our collective security in the Indo-Pacific and throughout the global commons. Aero India 2021 is an important opportunity to celebrate the fruits of our partnership, as participating countries recognize the growth of our collective aerospace and defense industrial base. On this occasion, the U.S.-India Business Council (USIBC) offers ideas to strengthen the U.S.-India relationship and support a deeper level of mutual trust and interdependence.

Over the past two decades, the U.S.-India defense relationship has benefitted immensely from productive senior government dialogues. These talks culminated in the signing of four foundational defense agreements, most recently the Basic Exchange and Cooperation Agreement (BECA) on geospatial intelligence. The two countries also hold regular military exercises between the U.S. and Indian Army, Navy, and Air Force. Great strides have been made on deepening government-to-government cooperation. Beyond the few well-known joint ventures, greater industrial cooperation between U.S. and Indian private sector defense firms can enhance the defense relationship. While India is a major buyer of U.S. defense equipment, the \$20 billion in exports to India in recent years is just a fraction of what is possible. USIBC sees vast untapped potential for innovation and collaboration in a larger, integrated defense ecosystem across the two countries.

### **A Sustainable Defense Industry Requires Public-Private Partnership**

The United States created the world’s largest and most advanced defense industrial base through unique partnerships between government and industry. Over many decades, through reliable funding for research, development, and production, the government attracted private industry to fulfill its military requirements. The U.S. government also incentivized industry to take risks and innovate, supporting the development of new technology that benefitted both the country and corporate bottom lines. Those policies fostered a business-friendly and innovation-driven ecosystem, as well as the symbiotic relationship between the U.S. government and the U.S. defense industry.

Our era of renewed great-power competition demands state-of-the-art military equipment, a vibrant defense industry, and the innovation to fuel it. In 2016 remarks to the U.S. Congress, Prime Minister Modi made a bold case for the power of the U.S.-India partnership to achieve these objectives, emphasizing that India had “overcome its hesitations of history” with the United States. In 2021, the time is ripe to demonstrate that capacity by integrating the countries’ defense industrial bases.

We have seen areas of progress through a government-centric approach to integration. The U.S.-India Defense Technology and Trade Initiative (DTTI) seeks to identify opportunities for U.S. and Indian co-development and co-production of defense equipment. If the two governments wish to substantially accelerate those efforts, they should establish a comprehensive reciprocal defense procurement agreement that allows companies from the U.S. and India to compete or cooperate to meet military requirements in either country. The recently signed Industrial Security Annex (ISA) between the two countries provides further confidence that companies on both sides can protect sensitive information to the same degree.

### **Breaking Through Plateaus & Removing Trade Irritants**

While celebrating our successes, we cannot simply be content with how far the U.S.-India security partnership has come. To initiate a new sequence of trust building activities, USIBC recommends three bold ideas that will allow the United States and India to show their commitment to democracy and a stable world.

First, the U.S. government should clearly signal its intent regarding the application of the Countering America's Adversaries Through Sanctions Act (CAATSA) as it pertains to India's purchases of Russian defense equipment. CAATSA was not intended to harm vital American interests or punish defense partners for maintaining legacy relationships. Addressing the specter of CAATSA by providing an unambiguous U.S. position will provide a significant boost to the U.S.-India defense relationship.

Second, Washington must take steps to remain competitive in an increasingly crowded global defense marketplace. As other nations offer their best equipment to India on highly favorable terms, the United States should also make available its best technology. In recent years, the U.S. has offered India highly capable air defense systems, advanced fighter jets, and most notably, its most capable Unmanned Aerial Vehicles (UAVs) with the potential of an armed version. The UAVs are a game-changing capability and the offer by the U.S. government was unprecedented. Notably, the offer came in response to India's request, which was based in part on India's status as a Major Defense Partner.

In the near-term, India should expedite its UAV acquisition to help address critical challenges in its border regions and its vast maritime domain. In the intermediate-term, a renewed "Team USA" approach with a joint government-industry proposal could support India's selection of a U.S. fighter jet. The two governments should agree on a suitable mix of 4<sup>th</sup> generation fighters across the Indian Navy and Indian Air Force which can eventually culminate with the transfer of a 5<sup>th</sup> generation fighter. The new U.S. administration should expedite these discussions to conclude a comprehensive fighter deal and cement the U.S. and India as true Major Defense Partners.

Third, maintaining a technological edge is critical for both the United States and India. Technology is also a rapidly depreciating asset that must be continually renewed. The U.S. government should begin sharing its cutting-edge defense technology more freely with partners, including India, to create a base for further innovation and cement valuable defense relationships. Shared opportunities for skills development are also critical. American companies can sponsor and tap into innovation worldwide, absorbing it back into their own defense programs. As India's defense industry grows in size and sophistication, it would particularly benefit from inclusion in this process and opportunities to educate and train defense sector professionals. India already has a deep pool of software and

engineering talent, which can be readily adapted as defense systems become more software-intensive, autonomous, and reliant on artificial intelligence.

At the U.S.-India Business Council, part of the U.S. Chamber of Commerce, we view deeper integration between the U.S. and Indian defense industrial bases as a critical component of efforts to deepen the overall commercial and strategic relationship. Allowing industry to play a major role in defense cooperation can boost both countries' economic power and strengthen defense integration – key to achieving the shared goal of maintaining a prosperous and secure Indo-Pacific. While it's unlikely that the U.S. and India will find themselves fighting together in the jungles of India again, action by both governments now can lay a foundation of trust and collaboration for the challenges of the 21<sup>st</sup> century.