

Will Indo-European Defence Relations Turn a New Page?

Bindiya Carmeline Thomas

The European Union has constantly reaffirmed its commitment to strengthen its strategic partnership with India, despite the latter's long neglect. And with new global imperatives, New Delhi is on course to explore new avenues of defence cooperation with Europe.

Last year marked 55 years of diplomatic relations between the world's two largest democracies – India and the European Union. Their relationship can be traced back to the early 1960s when India became one of “the first countries to establish diplomatic relations with the European Economic Community,” as India's Ministry of External Affairs (MEA) notes. Since then EU-India cooperation has increased manifold and now spans numerous areas, including foreign policy and

ce 2000, EU-India relations have evolved significantly, with the formation of the EU-India Strategic Partnership in 2004. To underpin that Strategic Partnership, the EU-India Joint Action Plan was adopted at the 2005 Summit and subsequently updated in 2008. Summits, ministerial-level, expert-level and sectoral meetings have extended cooperation between the European Union and India on a broad range of issues. In addition, regular parliamentary exchanges have ta-

Background: Indo-European Defence Ties

India's foreign policies have usually dictated its defence procurement strategy. India aligned itself with France in the early 1950s in an effort to wean itself off British equipment and subsequently acquired aircraft such as OURAGAN, MYSTERE and ALIZE, AMX tanks and air-to-surface and anti-tank missiles. India also license-produced French ALOUETTE helicopters in the 1960s and procured LAMA helicopters in the 1970s.

During the Cold War, India began a fruitful relationship with the Soviet Union — one that continues to thrive even today. The Soviet Union essentially furnished the Indian Armed Forces with everything from tanks and armoured vehicles, missiles and submarines to fighter and transport aircraft. Suffice it to say, India was overwhelmingly dependent on the Soviet Union for its defence requirements but continued to sporadically acquire European arms as well.

“The types of defence imports broadened by the early 1980s when India began to acquire arms from West European countries, including MIRAGE aircraft from France, submarines from Germany, and the Anglo-French attack aircraft, SEPECAT JAGUAR. This trade was mostly towards Western Europe. Central and Eastern European countries such as Poland and the Czech Republic also got a share of India's defence market, primarily as a legacy of India's defence trade with the Soviet Union,” Gateway House notes in a study published in 2016.

Fast Forward to the New Century

Over the last decade, India has become a force to be reckoned with. Robust economic growth coupled with crackdowns on corruption increased Foreign Direct In-



Photo: CCO Public Domain

In an effort to shake off British influence, in the 1960s India bought French and Soviet military equipment like the French ALOUETTE helicopters shown here. India license-produced ALOUETTE helicopters for many years.

security issues, trade and economics, sustainable development and modernisation, research and innovation as well as people-to-people contacts. “The 1994 EU-India Cooperation Agreement provides the legal framework for EU-India relations and has boosted political, economic and sectoral cooperation. Sin-

ken place, the last one being a triple visit of three committees from the European Parliament to India in February 2017,” according to EU sources.

India has established trade relations, in varying degrees, with individual member states most notably with France, the UK, and Germany. The EU is the second largest investor in India (after Mauritius), with an investment stock valued at €51.2Bn in 2015, and is the primary destination for Indian foreign investment.

However, the untapped potential truly lies in India's brimming aerospace and defence industry.

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vestments (FDI) and initiatives to revamp regulations have positioned the South Asian country to become a superpower by 2020.

Under Prime Minister Narendra Modi's leadership, the country's military expenditure grew by 8.5% to US\$55.9Bn in 2016, according to the Stockholm International Peace Research Institute's (SIPRI) 2017¹ report on defence spending.

In the last four years, India's imports were far greater than those of its regional rivals China and Pakistan, SIPRI added in its 2017 report.

Among the most notable initiatives is the Make in India programme which aims to decrease dependence on foreign defence imports by promoting private sector participation. The government's decision in June 2015 to withdraw the excise and customs duty exemptions enjoyed by state-run defence manufacturers has also increased its appeal internationally. "This will provide a level playing field...by taking away the strategic advantage with PSUs for quoting lower rates in open bids," the ministry of commerce and industry said in an official statement.

The move addresses a key demand of the private sector and foreign original equipment manufacturers (OEMs) such as Boeing, Airbus, Lockheed Martin and BAE Systems, which are actively exploring the scope of future investments in India, the statement added.

While efforts to become self-reliant have been daring, the Indian defence industry is still plagued by setbacks, lack of skilled labour and delays in procurement – all of which have unwittingly contributed to increased dependence on imports.

In fact, approximately 70% of its defence requirements are met by foreign contractors and the rest by domestic companies. In the last three years, 58 contracts worth US\$19Bn were signed with defence contractors, India's Minister of State for Defence Dr. Subhash Bhamre told the Parliament last year, and added that the government is taking measures for modernisation the Armed Forces and is actively inducting new equipment and upgrading existing equipment and systems. The most prominent illustration is, of course, Modi's decision to scrap the long-winded MMRCA competition in favour of buying 36 RAFALE fighter aircraft from France's Dassault Aviation in fly-away condition for US\$8.7Bn.

For five straight years (2012-2016), India has enjoyed the notorious status of being the world's largest weapons importer – accounting for 13% of global arms sales. Russia holds the distinction of being India's largest weapons supplier taking home

approximately 75% of the windfall in sales of fighter aircraft, main battle tanks, missile systems, aircraft carrier, submarines, etc. Israel and the US follow close behind with sales of Unmanned Aerial Vehicles (UAVs), radars, air-defence systems and P-8 maritime patrol aircraft and C-17 GLOBEMASTER and C-130 SUPER HERCULES heavy lift aircraft respectively. In 2013 alone, the trio accounted for 90% of all imports to India. As part of his ambitious plan to transform India and stave off foreign dependence, Modi

ker MBDA announced a joint venture with India's Larsen & Toubro (L&T) to develop and supply fifth generation anti-tank guided missiles (ATGM) "to meet the growing potential requirements of the Indian armed forces."

The JV is reportedly still awaiting confirmation from the Indian Ministry of Defence to "finalise negotiations to design and co-produce short-range surface-to-air missiles (SRSAMs) in India," the Hindu reported in February 2017.



The Indian multi-role combat aircraft (MRCA) competition of 2011-12 was India's single largest defence deal; it was won by Dassault RAFALE.

earlier last year pledged US\$250Bn to modernise the Indian Armed Forces by 2025. India's shopping list of arms includes assault rifles, helicopters, submarines, UAVs, tanks and fighter aircraft among others. Despite India's efforts to diversify its defence equipment imports, Europe has been largely left out in the cold.

Europe's Prospects – Will They Shrink or Shine?

Europe's amalgamated share of the Indian arms market has shrunk to less than eight percent for the period 2009-2013. This is a far cry from the 1970s and 1980s, when the United Kingdom and France were the second and third largest arms suppliers to India respectively, capturing about a quarter of all Indian arms imports; additionally, these two countries provided the majority of licensed-production agreements with India, the S. Rajaratnam School of International Studies explains in a study published in 2014. Eager to catch up with rivals Russia and Israel, European arms manufacturers, the study noted, "have genuinely embraced the idea of the joint venture as a means of breaking back into the Indian arms market." For example, in 2017, missile ma-

L&T and MBDA are convinced that it is the right time for the relationship to mature into a JV given the conducive policy environment in the defence sector in India, according to a joint statement. To begin with, the JV company will look to develop and supply fifth generation Anti-Tank Guided Missiles (ATGM5s), missiles for Coastal Batteries and high-speed target drones. The SRSAM systems are intended to replace the Indian Navy's Israeli BARAK-1 air defence systems.

SNECMA, as part of the RAFALE aircraft deal, has teamed up with India's Research and Development Organisation (DRDO) to help revive and certify the KAVERI engine, to power the indigenous Light Combat Aircraft (LCA) TEJAS in 2018.

In June 2017, Thales and Reliance Defence Limited announced their intent to form an Indian Joint Venture (JV) "to develop Indian capabilities to integrate and maintain Radar and Electronic Warfare sensors."

Thales has previously collaborated with the state-run Bharat Electronics Ltd (BEL) manufacture military radars for the Indian Air Force. According to local reports, Thales will supply six of the 19 Ground Smarter low-level transportable radars that the Indian Air Force (IAF) has ordered from France,

with the other 13 will be assembled in BEL's facility at Ghaziabad.

In September, Saab and India's Adani Group followed up with a similar announcement to support Modi's "Make in India." The intended collaboration would encompass design, development, and production of GRIPEN for India and other high-tech products of national importance for India and also the creation of joint ventures in India. GRIPEN would be offered to the Indian Government as the best solution for India's single-engine fighter aircraft programme. The collaboration would also include projects, programmes, and technologies of national importance to India. The parties plan to develop the relationship into a structure of joint ventures in India for the execution of the programmes, including the single-engine fighter programme, in order to support the Make in India policy and exhibit the parties' long-term commitment to be jointly successful. In addition to the GRIPEN, the new JV intends to supply the Indian armed forces with unmanned aerial vehicles and helicopters.

France

France has always maintained a strong foothold in the Indian Aerospace & Defence sector thanks to its favourable foreign policies toward India. Their strategic partnership is mirrored by the lion's share of contracts awarded to French companies. In 2012, Dassault Aviation won what was then called the Mother of all Contracts—the now-defunct MMCA deal for 126 medium multi-role combat aircraft worth approximately US\$20Bn. Dassault's RAFALE beat competitors Boeing F/A-18E/F SUPER HORNET, Eurofighter TYPHOON, Lockheed

Martin F-16 Fighting FALCON, Mikoyan MiG-35, and Saab JAS 39 GRIPEN.

In lieu of the MMCA, India and France have settled on a government-to-government deal to buy 36 RAFALE aircraft in flyaway condition worth €7.87Bn.

With the first deliveries expected to begin in 2019, Dassault is already vying for new contracts.

In September 2017, Eric Trappier, CEO of Dassault Aviation told Reuters that the company "is still in discussions with India over a possible purchase of additional twin-engine RAFALE fighter jets."

"A separate tender by India for a single-engine fighter jet was independent of the RAFALE order and would not impact negotiations," he was quoted saying. "We're talking about additional jets. Nothing is decided, but we're not going to stop at 36." Incidentally, France now holds the distinction of being India's largest investor in the defence sector under the Foreign Direct Investment (FDI) thanks to the RAFALE fighter jet deal.

Dassault has a long history in India. In 1982, the IAF ordered 36 single-seat MIRAGE 2000Hs and 4 twin-seat MIRAGE 2000THs, and in 2011 contracted Dassault and Thales to upgrade the 49 MIRAGE 2000 aircraft in a deal worth US\$2.4Bn.

In 2004, the Indian government approved the purchase of an additional ten Mirage 2000Hs with improved avionics, upgraded RDM 7 radar. India is also reportedly in talks with France to acquire 31 grounded strike fighters previously used by the French Air Force.

France scored another major win in 2005 when it won a US\$3Bn deal to construct six SCORPENE submarines. Other projects include the US\$6Bn MAITRI Missile Project

Photo: Georges Seguin



India wants to replace its outdated Israeli BARAK-1 missiles for the Indian Navy with SRSAM systems. Meanwhile, India has cancelled the SRSAM competition and, in keeping with the government's 'Make in India' initiative, opted for the domestic AKASH system instead.

with the DRDO and MBDA and development of the Light Combat Aircraft (LCA) KAVERI engine with SNECMA, as mentioned previously.

The United Kingdom

Several factors ended Britain's reign as India's top weapons supplier during the Cold War. In the 1950s, the UK accounted for over 64 % of India's total arms imports. "CENTURION tanks, a contract to establish a factory to produce the VIJAVANTA tank based on the CHIEFTAIN design, factories to produce ammunition and ADEN guns—all for the Army; a cruiser and an aircraft carrier for the Navy and SEA HAWK aircraft for the Fleet Air Arm; and a range of aircraft for the Air Force including SPITFIRES, TEMPESTS, VAMPIRES, HAWKER HUNTERS, CANBERRA bombers, AVRO transports, PERCIVAL PRENTICE trainers, and GNATS (which were also licence-manufactured in



Photo: Rajan Manickavasagam

The HAL TEJAS is an Indian-made single-seat, single-jet engine, multirole light fighter produced by Hindustan Aeronautics Limited (HAL) for the Indian Air Force.

India)", the Institute for Defence Studies and Analyses (IDSA) notes.

It would be a long time until the UK received any major contracts. India decided in 2013 to buy 66 HAWK AJTs from Britain worth US\$1.7Bn and added a follow-on contract for 57 additional HAWKs worth US\$1.1Bn to be built by HAL.

In 2015, the Indian Navy selected JFD "for the provision and long-term support of its submarine rescue capability." The

license from Dornier GmbH in 1981, for the Indian armed forces. However, in December 2017, the Indian Directorate General of Aviation decided to allow the aircraft to be used for commercial purposes.

More recently, exports to India have waned. In 2016, Germany's ThyssenKrupp Marine Systems (TKMS) signed a US\$38.4M contract for the modernisation of two out of four SHISHUMAR class (Type 209/1500) diesel-electric attack submarines in service

It added that it "will not refrain from assessing the situation given the limited size of the on-going business in the country."

The blacklist affected various deals including an Indian Navy contract to procure 98 BLACK SHARK torpedoes worth US\$226M from WASS (the contract was awarded in 2014) for the installation on its SCORPENE submarines.

Germany's Atlas Elektronik is expected to benefit from the scandal as it appears to be the front-runner to replace WASS although no deal has been signed yet.

Finmeccanica has previously supplied guns for naval ships and radars for helicopters and warships.

Current Programmes

European arms makers will have plenty of opportunities to win large contracts in the coming years. India recently announced the "mother of all underwater defence deals" to build six advanced stealth submarines for an estimated US\$10.9Bn in collaboration with an Indian shipyard. The RFI for programme Project-75 (India) was issued in 2016 and sent to shipbuilders, Naval Group-DCNS (France), ThyssenKrupp Marine Systems (Germany), Rosoboronexport Rubin Design Bureau (Russia), Navantia (Spain), Saab (Sweden) and the Mitsubishi-Kawasaki Heavy Industries combine (Japan).

India also plans to buy an unknown number of missiles for its Russian KVADRAT Self Propelled Air Defence System.

A global tender has been issued to Russia's Rosoboronexport, Thales and Eurosam (France), Raytheon (US), Israel Aerospace Industries, Rafael Advanced Defense Systems, Tetraedr of Belarus, South Korea's Doosan Group and LIG Nex1, Diehl Defense of Germany and the pan-European MBDA last year.

The Indian Navy is also expected to issue an RFI to buy 24 multi-role helicopters worth US\$1.8Bn to be used for anti-submarine warfare and operations by the Marine Commando (MARCOS) special forces. The navy also plans to issue an international tender for purchasing 123 Naval Multirole Helicopters (NMRH) later this year. Meanwhile, the MoD has approved a proposal to purchase 111 naval utility helicopters for its requirement to replace its vintage CHEETAH/CHETAK aircraft. Sikorsky and Airbus Helicopters are expected to receive a global RfP later this year.

Indian Navy Chief Admiral Sunil Lanba told reporters late last year that the Indian Navy is likely to issue a RfP to acquire 57 multi-role combat fighter jets for the aircraft carriers by mid-2018. ■



Two Dornier Do 228 of the Indian Navy patrol Indian coastal waters.

GB£193M contract includes the design, build and supply of two complete submarine rescue systems, and a 25-year all-inclusive annual maintenance contract.

Germany

In 1999, Germany became India's fifth largest weapons supplier having sold everything from submarines (such as the Type 209) to sonars and much more.

Germany's Howaldtswerke-Deutsche Werft (HDW) beat competitors France's DCN, Sweden's KOCKUMS, The Netherlands' NEVESBU, and Vickers in the United Kingdom in 1981 to win a deal to supply four SHISHUMAR-class (Type 209/1500) diesel boats with an option for an additional two units.

Three years later, India exercised that option for two units to be built locally. However, not long after, allegations of corruption surfaced forcing India to end its relationship with HDW and ultimately blacklisting the company, thus paving the way for France's SCORPENE submarines to make their mark in India.

India also produces the DORNIER 228 aircraft, having bought the production

with the Indian Navy. The upgrade of the two license-built SSKs, aimed at extending their operational life by ten years, will also take place in Mumbai, according to a TKMS press release. TKMS's contract with the Indian Navy entails fitting the boats with a new weapons suite—Boeing anti-ship UGM-84L HARPOON Block II encapsulated missile systems.

Italy

The bitter relationship between India and Italy appears to be on the mend after years of diplomatic tensions, which included the arrest of two Italian marines in 2012 for killing two Indian fishermen in Indian waters. Relations between the two took another hit following the VVIP helicopters scandal involving AgustaWestland and the subsequent blacklisting of the parent company, Finmeccanica, and its subsidiaries. "Despite the context of uncertainty, Leonardo-Finmeccanica has over the past few years continued to supply India with the components and services essential to ensuring the operation of platforms and equipment for the country's armed forces," Finmeccanica said in a statement in 2016.