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US Arms Sales to India

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Dinshaw Mistry, Asia Studies Visiting Fellow at the East-West Center in Washington, explains that “New Delhi’s defense procurements from the United States are worth a substantial \$15 billion.”

Arms sales are a major component of America’s strategic partnership with India. How extensive are these sales? Answers to this fundamental question vary widely. Illustrating this, in February, the Jane’s defense analysis group noted that India was the leading purchaser of American weapons during the previous year; the media reported this under the headline “India becomes biggest foreign buyer of US weapons.” In contrast, in March, the Stockholm International Peace Research Institute (SIPRI) noted that Russia accounted for 75 percent and the US supplied just 7 percent of India’s military imports. Which perspective is more accurate? Neither, because both look at arms deliveries rather than arms orders, and they only cover select years. When analyzing India’s arms orders over a more appropriate period, from 2001 to 2013, a more nuanced picture emerges: while India is not usually among the top five markets for the US defense industry, it is increasingly ordering greater quantities of American military hardware, and the United States is India’s third-largest source of arms.

New Delhi’s defense procurements from the United States are worth a substantial \$15 billion. In comparison, US defense sales to its Asia-Pacific allies Australia, Japan, and South Korea, and to Middle East partners Israel, Qatar, and the United Arab Emirates (UAE), were \$20 billion to \$30 billion, while those to Saudi Arabia were over \$60 billion.

Second, the United States is India’s third-largest defense supplier, accounting for about one-fifth of its military imports. India’s arms orders from the United States, valued at \$15 billion, were somewhat less than those from Russia—nearly \$30 billion—and France—\$20 billion—but greater than those from Israel—\$10 billion—and the United Kingdom—\$4 billion.

Third, contrary to prevailing perspectives about a downturn in US-India relations under the Obama administration, US defense sales to India have increased during this time. From 2001 to 2004, New Delhi’s arms imports from the United States were \$400 million. India then purchased 12 Raytheon Firefinder artillery radars valued at \$200 million, 20 General Electric GE-F404 engines for India’s light combat aircraft at a cost of \$100 million, and ten GE-LM-2500 gas turbines for Indian naval ships costing \$60 million.

Over the next four years, 2005 to 2008, New Delhi’s military procurements from the US increased to over \$3 billion. India ordered an amphibious ship worth \$50 million, 20 additional GE-F404 engines for \$100 million, six Lockheed Martin C-130J Hercules transport aircraft for \$1 billion, and eight Boeing P-8 Poseidon maritime patrol aircraft for \$2 billion.

From 2009 to 2013, India’s defense orders from US firms, some of which are pending finalization, were worth \$11 billion. They included several dedicated offensive weapons: 500 CBU-97 guided bombs for Jaguar aircraft valued at \$250 million, 40 Harpoon anti-ship missiles from Boeing for \$370 million, 145 howitzers from a US subsidiary of British Aerospace costing \$885 million, and 22 Boeing Apache attack helicopters valued at \$1.4 billion. They also included 100 GE-F414 aircraft engines worth \$800 million, 270 Honeywell

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F125 engines for Jaguar aircraft valued at \$700 million, six additional C-130J Hercules for \$1 billion, four additional P-8 Poseidon costing \$1 billion, ten Boeing C-17 Globemaster transport aircraft for \$4 billion, and 15 Boeing Chinook heavy-lift helicopters for \$1 billion.

Fourth, while American firms secured contracts for heavy transport aircraft, maritime patrol aircraft, aircraft engines, and helicopters, their foreign competitors filled the niche in other areas. Russia exported combat aircraft such as 270 Su-30s valued at \$12 billion and 45 naval Mig-29Ks for \$2 billion; it also modernized 60 Indian air force Mig-29s for \$900 million. In addition, it supplied 150 Mi-17 transport helicopters worth \$3 billion and ten Ka-31 helicopters costing \$300 million. Its naval exports included an Akula nuclear-powered submarine leased for \$1 billion, the Gorshkov aircraft carrier for \$2.3 billion, and three frigates worth \$1.6 billion. And it sold the Indian army over 1,000 T90 tanks for \$2.5 billion.

France’s main defense sales to India involved six Scorpene submarines valued at \$4 billion, upgrades to 49 Mirage-2000-5 aircraft for \$2 billion, air-to-air missiles for these planes costing \$1.2 billion, and a huge sale of 126 Rafale multirole medium combat aircraft for an estimated \$12 billion (the price is still being negotiated). Israel has secured contracts for Phalcon airborne early warning radars costing \$1.1 billion; 150 drones and unmanned aerial vehicles (UAVs) worth over \$1 billion; Barak anti-cruise missile systems for \$1.4 billion; Spyder anti-aircraft missile systems for \$1 billion; radars for naval vessels and combat aircraft; and precision-guided bombs. And Britain secured a \$3 billion deal for 140 Hawk trainer aircraft.

Four analytical caveats should also be noted. First, negotiations to finalize some orders from 2011-2013 are ongoing, and their eventual values could change. Second, actual deliveries and payments occur years after the orders are confirmed. Third, the data are recorded at current prices which rise every year; thus, an order in the 2010s would typically be worth 50 percent more than its value in the early 2000s. Fourth, even a single large sale could have altered the above analysis. Thus, had New Delhi awarded the Rafale deal to American firms, India would have ranked higher in the list of US arms customers, while the United States would have been a close second to Russia in terms of India’s arms suppliers. On a related note, Japan, South Korea and Qatar all placed large US arms orders in 2012 and 2013; if these were smaller and closer to their average for prior years, then the value of their defense imports from the United States would be comparable to India’s.

Finally, some may question why New Delhi has not purchased greater quantities of American weapons. The answers are found in its arms procurement process. New Delhi requires offsets and technology transfers in its arms deals, while US suppliers generally restrict these. And it follows a two-stage competition based on technical criteria and then pricing. Thus, when selecting its medium combat aircraft in 2011, it did not give preference to US suppliers. American policymakers had hoped it would because the Obama administration supported India for a UN Security Council permanent seat in 2010. Instead, New Delhi did not opt for American F-16s and F-18s based on their older vintage and certain engine and aerodynamic parameters. Another point to highlight is that India’s defense deals attract considerable media and political attention, and governmental committees often investigate allegations of defense corruption. New Delhi therefore cannot easily deviate from its standard procurement practices.

Does this mean that US suppliers have limited future prospects in the Indian arms market? Not really. Budget constraints notwithstanding, as India’s economy grows and its military modernizes, it is expected to procure arms worth \$100 billion in the next decade. And, given their technological strengths versus the competition, American defense firms would likely secure a sizeable fraction of these orders.

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