

India's armed forces – An overview

India has the world's third-largest armed forces in terms of personnel numbers. However, although India was also the seventh-biggest spender on military equipment in 2014, the country has a problem of deficiency in equipment. India's defence procurement is still dominated by imports, as the domestic industry is handicapped by inefficiency. New Delhi is thus the world's largest importer of military equipment. Attempts in the past to reform the national security system have also failed.

Attempts to reform India's armed forces and security policy

The Commander-in-Chief of India's armed forces is [President Pranab Mukherjee](#). India lacks a Chief of Defence Staff (CDS) and this, along with the lack of a National Security Strategy, has been pointed out as one of the [shortcomings](#) in the country's security. The creation of a CDS is a much-delayed reform, recommended by the Group of Ministers (GOM) [report](#) on 'Reforming the National Security System' back in February 2001. A [consultation process](#) for the creation of this post is taking place but may meet internal resistance, while analysts [argue](#) that politicians have shown little interest on the issue. A Chief of Integrated Defence Staff post has been created following the GOM report; however the holder has no voting power in the frame of the [Chiefs of Staff Committee](#) which gathers together the chiefs of the three branches of the Armed Forces (Chief of the Army Staff, Chief of the Naval Staff, Chief of the Air Staff) and advises the Minister of Defence. In May 2012, a task force on national security (also known as the '[Naresh Chandra Committee](#)') submitted a report (unpublished) making [recommendations](#), mostly echoing those of the GOM report, as most of its reforms have not still been implemented.

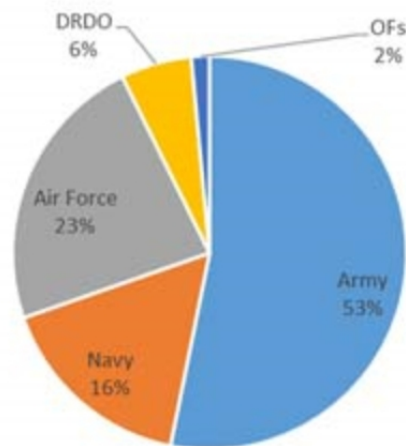
Indian armed forces' capabilities

With 1 346 000 personnel, India ranks third in the world in terms of [the size of its armed forces](#), behind the United States and China. The latter has twice the number of active personnel, but India far exceeds China in its estimated number of reservists: 1 155 000. This large number of personnel gives India capacity to defend its homeland in case of an emergency.

In terms of perceived threats, New Delhi recognises both Pakistan (a country disputing sovereignty over Kashmir and also base of terrorist groups that may attack the Indian targets) and China as major conventional threats. Therefore, its armed forces are deployed throughout the sensitive border territories with both countries. At the same time, the [growing Chinese presence](#) in the Indian Ocean is challenging India's prominent maritime status in the region, and has led India to increase its efforts to modernise its own naval capabilities.

The issue of deficiencies in equipment was raised publicly in March 2012, when a letter from the then-Chief of the Army Staff, General V K Singh to former Prime Minister Manmohan Singh was [leaked](#) just before a

Figure 1 – Share of defence services in India's defence budget 2015-2016



Data source: [India's Defence Budget 2015-16](#), Behera L K, IDSA, 2 March 2015.

NB: [DRDO](#) = Defence Research and Development Organisation, [OFs](#) = (Indian) Ordnance Factories.

[BRICS](#) summit in New Delhi. [Bureaucracy](#), [cumbersome procedures](#), inefficiency and corruption have often been cited as the reasons behind the inadequacy and obsolescence of [Indian military equipment](#).

India spent [2.4%](#) of its GDP on defence in 2014. It ranked seventh in [2014](#) in global military spending. New Delhi spends [40%](#) of its total defence budget on capital acquisitions. India's budget for the 2015/2016 fiscal year raised military spending by [11%](#), to around US\$39 billion. This includes a 15% increase in military capital expenditure, which will go toward buying more hardware, like the 45 warships currently under construction in India, and six submarines. The Army received more than half this budget.

Comparing the defence budget for 2015/2016 with the previous year's budget allocation, shows that it has grown only 8%. However, the revised allocation for 2014/2015 reduced the initial budget, and for this reason the difference amounts to 11%. Something similar occurred in relation to capital expenditure within the defence budget – in comparison with 2014/2015, it is [stagnating](#) in 2015/2016. Once again, the revised allocation for 2014/2015 has lowered the initial amount, giving rise, therefore to a difference of 15%.

Defence procurement

In order to reverse the import trend, already included in the [2005](#) 'Defence Procurement Procedure' (DPP), India has introduced an offset policy, stipulating that manufacturers in the category of 'Buy' and 'Make and Buy' for acquisitions over and above US\$60 million invest 30% of the estimated cost in local defence industries. In 2008 and 2011, the government again tightened its offset demands. The introduction of a '[Buy Indian, Make Indian](#)' category in the defence acquisition process aims to increase Indian industrial participation in the market. A further [revision](#) of the DPP was [announced](#) and the offset policy may now be measured as a share of technology gained, instead of in terms of budget. The DPP provides for three acquisition strategies: 'Buy', 'Buy and Make' and 'Make'. 'Buy' would mean an outright purchase of equipment and could be 'Buy (Indian)' or 'Buy (Global)'. In this context, 'Indian' means Indian vendors only, and 'Global' includes foreign as well as Indian vendors. 'Buy Indian' must have a minimum of 30% indigenous content if the systems purchased are made up of components integrated by an Indian vendor.

Incentives for foreign direct investment in the defence sector

In August 2014, the government revised India's defence foreign direct investment (FDI) policy and [raised](#) the foreign-investment cap from 26% to 49%, including a maximum of 24% in portfolio investments which had been banned under the previous policy. Portfolio investment is now allowed automatically, while non-portfolio investments are still subject to government approval. It should be noted that the increase in the FDI cap to 49% does not give foreign companies management control of any joint venture – an essential element for the transfer of [proprietary technology](#) – and therefore has [failed to attract](#) foreign FDI in this sector. On 25 September 2014, Indian Prime Minister Narendra Modi launched the '[Make in India](#)' initiative, aimed at transforming India into a global manufacturing hub and at easing its business climate for both domestic and foreign investors, including in the defence sector – although [challenges remain](#).

India's defence industry remains dominated by state-owned enterprises – the largest being Hindustan Aeronautics Limited ([HAL](#)) – known as [DPSU](#) (Defence Public Sector Undertakings). It has been argued that this renders the defence industrial base '[hopelessly out of date](#)'. For instance, build times for indigenous warships are unreasonably [long](#): it has been calculated that a 6 500-tonne 'Delhi class' warship, produced in India, takes 114 months to produce, while equivalent ships take 29-30 months in the US and Japan. Indian private companies continue to play a limited role in defence production, although this is increasing every year. India has tried to encourage private companies to make arms in India, both in partnerships with the government and independently, but few of these efforts have succeeded.

The acquisition of the Dassault Rafale fighters: an exception or a precedent?

The saga of the acquisition of the Rafale fighters shows that the defence self-sufficiency rhetoric and the DPP rules may well leave room for direct government-to-government deals under the Modi government. India began negotiations with France in 2012 to buy 126 Dassault Rafale fighter jets (of which 108 were to be constructed in India, under technology transfer). However, three years later, negotiations on the €20 billion deal were at a standstill and were only unblocked by Prime Minister Narendra Modi's visit to France on 9-11 April 2015. The terms have radically changed: India has abandoned its insistence on technology transfer and the agreement has been downsized to 36 planes – at a cost of €4 billion – to be produced in France within two years. Later, the Indian negotiators tried to introduce a 50% offset, on which the French government, although [initially reluctant](#) on the ground of cost escalation, [eventually agreed](#).