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Security Nexus Perspective

DETERRENCE NEEDS A FACTORY: FIXING THE U.S. – INDIA INDUSTRIAL GAP

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ABSTRACT:

This essay contends that while U.S.-India strategic convergence has significantly deepened, their defense industrial partnership remains an underdeveloped pillar of cooperation. As Washington seeks to reinforce deterrence, cultivate a warrior ethos, strengthen supply chain resilience, and project distributed lethality across the Indo-Pacific, India's expanding defense manufacturing base represents a timely, underleveraged opportunity. This essay urges both nations to move from dialogue to delivery—co-investing in defense production to build a more credible, distributed Indo-Pacific deterrent.

The United States has made clear its intent to strengthen deterrence in the Indo-Pacific. It is undertaking a generational effort to rewire its alliances, revamp its supply chains, and modernize its forward posture in the Indo-Pacific. But one critical front remains sluggish: defense industrial cooperation with India.

This isn't a failure of ambition. Washington and New Delhi are aligned in rhetoric and strategic vision. India wants to reduce dependence on foreign suppliers, gain technological parity, and build a globally competitive defense sector. The United States seeks resilient supply chains, trusted co-production partners, and credible regional deterrence.

A Shared Industrial Ambition

On the U.S. side, the 2024 National Defense Industrial Strategy (NDIS) calls for distributed supply chains and trusted industrial partners—mirroring India's goals. It reflects Washington's renewed emphasis on rebuilding a warfighting ethos and expanding America's capacity for lethal, forward-leaning deterrence.

India, the world's top arms importer, is a natural fit for a deeper industrial role. India's Defense Production and Export Promotion Policy (DPEPP), launched in 2020, aims to create a $25 billion defense industry by 2025, including $5 billion in exports. The policy promotes domestic design, development, and manufacturing, with visible gains in aerospace, shipbuilding, and missile systems.

The logic is sound. Both countries broadly share a strategic worldview and have inked key foundational agreements—LEMOA (Logistics-Exchange Memorandum of Agreement), COMCASA (Communications Compatibility and Security Agreement), ISA (Industrial Security Agreement), and BECA (Basic Exchange and Cooperation Agreement)—to drive interoperability.

A robust set of frameworks underpins this momentum. The Initiative on Critical and Emerging Technologies (iCET), the India–United States Defense Acceleration Ecosystem (INDUS-X), the 2+2 Ministerial, and the 2023 Defense Industrial Cooperation Roadmap link startups, manufacturers, and laboratories across both nations. Key areas of focus include jet engines, intelligence, surveillance, and reconnaissance (ISR), and AI. The two countries have also signaled interest in jointly developing and exporting defense platforms to third countries. If realized, this could position them not just as co-producers, but as co-providers of regional security.

India's innovation ecosystem is also maturing. Over 340 defense startups are registered under the Innovations for Defence Excellence (iDEX) initiative. Engineers in India are building dual-use technologies in AI, drones, and quantum systems. These platforms can serve as co-development partners for U.S. firms. Indian industry's growing ability to prototype and iterate quickly offers U.S. collaborators cost efficiency. The private sector, including Larsen & Toubro, Mahindra Defence, and Bharat Forge, is building capacity. State-owned firms like Hindustan Aeronautics Limited (HAL) and Bharat Electronics Limited (BEL) remain dominant, though their performance is mixed.

Recent developments offer a window into both the promise and the complexity of deeper industrial alignment. In 2023, GE Aerospace and HAL agreed to jointly manufacture F414 jet engines in India—a potential breakthrough. If fully realized, the project would represent the first time the United States transfers such advanced propulsion manufacturing to an Indian partner. The deal signals growing trust and could serve as a testbed for more ambitious co-production efforts.

But recent history tempers enthusiasm. India's Light Combat Aircraft (Tejas) program, launched in the 1980s, illustrates the systemic challenges that still persist. The aircraft's first flight took place in 2001, but it took over a decade to reach operational clearance, and production remains slow. Even now, key components are sourced abroad. Meanwhile, the U.S. F-35—despite its own share of procurement turbulence—has entered service across a broad coalition of partners and reached meaningful production scale. The comparison highlights what steady institutional backing and disciplined program management can yield.

The Problem Isn't Alignment. It's Delivery.

The U.S.-India defense roadmap is rich in frameworks, but poor in follow-through. Rhetoric is rich, but production lines remain bare. Platforms are promised but not built. Exports, still aspirational.

India's defense modernization has long been hampered by a pattern of procurement paralysis. Signature programs like the $10 billion Future Infantry Combat Vehicle (FICV), launched in 2009, and the Tactical Communications System (TCS), conceived nearly a decade earlier, remain stalled despite years of effort, multiple tenders, and wide international interest—from Russia and South Korea to the United States and France. The FICV alone has been relaunched several times with no induction in sight, prompting skepticism that it will materialize this side of 2050.

The Defense Technology and Trade Initiative (DTTI) was supposed to catalyze co-production. Instead, it has largely stalled. Projects are often bogged down in reviews or derailed by IP disputes and bureaucratic inertia.

American firms see a minefield: ambiguous rules, licensing delays, and fuzzy liability standards. Deals slow-walked into irrelevance—like the shelved MQ-9B Predator drones purchase—highlight the friction. Many firms choose to walk away rather than risk sunk costs or compliance uncertainty. The result is a growing perception that while India is a high-potential market, it remains a high-friction environment. Strategic autonomy, while valid, too often breeds indecision and hedging. Private sector appetite wanes when the path to execution is riddled with risk and red tape.

A Fork in the Road

This is an inflection point. Both sides must pivot from summits to supply chains—from goodwill to ground-level execution.

India should streamline procurement and provide clear incentives for joint ventures. The U.S. can assist with flexible licensing, export reforms, and tech-sharing pilots.

There is precedent. The U.S. co-develops smart munitions with Australia, exports Iron Dome from Israel, and collaborates with the U.K. on unmanned aerial vehicles (UAVs). India, too, has co-developed with Russia and exported the BrahMos supersonic cruise missile to the Philippines. These examples show what's possible with strategic patience and mutual investment.

Delivering the Edge

If deterrence in the Indo-Pacific is to be distributed, resilient, and real, Washington and New Delhi need more than military exercises and diplomatic summits. They need a functioning defense production relationship anchored in shared output.

The U.S.-India partnership could anchor the next wave of distributed deterrence. If the two countries can collaborate on building affordable, interoperable systems—such as UAVs, sensors, cyber capabilities or ISR platform—these could be marketed across Southeast Asia, the Indian Ocean Region, and Africa, providing not just capability but influence. Co-development not only builds deterrent capability—it also generates skilled jobs, strengthens local supply chains, and deepens political constituencies for long-term defense cooperation in both democracies.

India brings engineers, scale, and strategic intent. The U.S. brings capital, technology, and global access. Neither side can afford delay. The region is already crowded with gray zone tactics, expanding arsenals, and militarized infrastructure. Time is a variable neither partner controls.

For the United States, deepening this partnership is not just about countering China—it's about shaping a more distributed, reliable security architecture across the Indo-Pacific. And for India, embracing reform and reliability in defense manufacturing is not merely a strategic aspiration—it is a prerequisite for being recognized—and relied upon—as a credible global defense partner.

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