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‘Make in India’ and Defence: Modi’s outreach to South Korea

By Sumitha Narayanan Kutty

Synopsis

On his recent trip to the Republic of Korea, Indian Prime Minister Narendra Modi and President Park Geun-Hye upgraded bilateral ties to a “special strategic partnership” and pledged to expand defence cooperation, with Modi hard selling his ‘Make in India’ initiative. The two countries, however, have their work cut out.

Commentary

INDIA-SOUTH Korea relations received a major boost in May when Indian Prime Minister Narendra Modi announced that bilateral relations would be upgraded to a “special strategic partnership.” This makes South Korea the second East Asian country to be awarded such status (after Japan).

With an aim to elevate bilateral defence and security ties, India and South Korea agreed to hold the bilateral joint diplomatic and security dialogue in a 2+2 format: their foreign and defence ministers to meet annually to consult on security and political issues. Korea is the second country to receive this consideration (the first being Japan). With these moves, Modi tried to signal yet again “how seriously” India takes its new framework of engagement with the east, dubbed “Act East”. This new framework is rooted in India’s ‘Look East’ policy of the 1990s and has primacy of place in the current government’s outreach strategy.

Getting to “Special Strategic Partnership”

Since the establishment of diplomatic relations in 1973, engagement between India and South Korea has traditionally been driven by their private sectors. Their growing economic relationship provided a secure base for the two governments to expand ties across other sectors, including defence and security. But the going has been slow.

Both countries first evinced interest for closer security ties 15 years ago in 2000. Following this, the two navies kicked off joint naval exercises and a MoU on cooperation in defence industry and logistics was signed in 2005. However, it took another five years for the two countries to elevate their relationship to a strategic partnership. This announcement was made in 2010 when South Korean President Lee Myung-bak visited India as chief guest at its Republic Day parade.

Building on this momentum, AK Anthony became the first Indian defence minister to visit South Korea. Defence ties received another push with two agreements – the first, on the protection of ‘classified military information’ that strengthened intelligence cooperation (which includes nuclear proliferation activities by Pakistan, North Korea) and the second on defence R&D between India’s Defence Research and Development Organisation (DRDO) and the Korean Defence Acquisition Programme Administration (DAPA).

Acknowledging the growing potential in the sector, India opened a defence wing at its Seoul embassy in 2012. Prime Minister Manmohan Singh also visited South Korea the same year. High-profile defence interactions included visits by Korean defence minister Kim Kwan Jin (November 2012) and Chief of Air Staff General Sung Hwan (2013). This culminated in South Korean President Park Geun-hye’s visit (January 2014) to promote “sales diplomacy” in the defence space and expand security consultations.

Hard Selling “Make in India”

Since Narendra Modi’s rise to power, New Delhi has put in much effort to revitalise this bilateral partnership with both the external affairs minister Sushma Swaraj and defence minister Manohar Parrikar travelling to Seoul earlier this year to prepare the ground for Modi’s visit. Their primary task was to push forward Modi’s ‘Make in India’ drive, a national programme that encourages foreign companies to manufacture their products in India.

As Modi sees it, India’s developing domestic defence industry lies “at the heart” of this programme and offers opportunities for Korean companies to invest in the sector. Indian companies have expressed interest in collaboration around manufacturing artillery systems, radars, simulators, engineering systems for land and marine forces, and the like. There is a definite convergence of interests here. The South Korean defence industry aims to improve its global standing in arms exports and finds great potential in the Indian market. Yet, the road ahead remains complicated.

Despite high-profile political bonhomie, the results on ‘big ticket items’ in India-South Korea defence trade have been mixed. The following two episodes are telling.

In the year 2011, South Korean defence firm Korean Aerospace Industries (KAI) objected to the “unfair bidding process” that was employed to award the deal to rival firm Pilatus Aircraft Ltd. (Switzerland) for India’s military basic trainer acquisition programme. Formal protests poured in from the South Koreans including the defence minister Kim Kwan-jin. Though his Indian counterpart took note of the complaint, the deal was handed to the Swiss firm after a year’s delay, leaving the Koreans miffed.

Another instance involved the purchase of eight mine countermeasure vessels (MCMV) which was touted to become India’s first major defence hardware import from East Asia. In this case, the South Korean firm Kangnam Corporation found itself facing allegations that the firm employed middlemen to secure the deal (a practice banned at the time). President Park herself flagged the issue during her 2014 visit. It was the Modi government that finally pulled the plug on the deal in December 2014, six years after its original closing.

Managing expectations

Going forward, it is important that the Koreans note that ‘Make in India’ is ‘work in progress’. The campaign in its current form is heavier on atmospherics than policy and is particularly complicated to execute within the defence sector. The Indian defence ministry is working on a major overhaul of the country’s defence offset policy to simplify the acquisition process. According to Parrikar, the guidelines will be in place before August. Pilot testing, refining this process and due-diligence will take its own course.

Second, if India aims to produce technologies licensed from foreign manufacturers domestically, it will have to give serious thought to raising the FDI cap in the defence sector further. Though increased to 49 percent last year, the number remains inconsequential as foreign firms much prefer greater control

over their technology. Intellectual property rights (IPR) and technology transfers are other delicate areas that warrant attention.

Third, it would be prudent for both sides to manage expectations from defence cooperation in the short term. Closer and regular defence consultations between New Delhi and Seoul would keep the partnership thriving despite inevitable procedural glitches. The 2+2 format initiated by India is a positive step in this direction.

South Korea remains a good case for India to 'Act East'. In the short term, the onus continues to lie on other sectors to power the partnership forward even as the chinks in defence cooperation are worked out. A slow and steady approach would work best.

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