

# **Indo-French Defense Ties : European Context - Opportunities and Prospects**

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## Indo-French Defense Ties in a European context: Opportunities and Prospects

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### Background

In 2010 Bilateral Trade between France and India stood at EUR 5.81 billion with French Investment in India amounting to less than EUR 2.5 billion and Indian investment in France under EUR 1 billion. Important shared concerns between the two countries at the international level include fiscal sustainability, transnational monetary flows, food security and climate change mitigation.



India's ascent as a regional power and global player is being carefully monitored by those concerned with the Defence Industry the world over. In the realm of defence co-operation India's ties with France have traditionally been bilateral, broad-based and vibrant. At the same time, India has had a relatively less robust engagement with the European Union (as a singular entity) despite presence of a number of military programmes being bid by entities constituted as multiple EU-member country consortia. The current Indo-French opportunities span an array of sectors from nuclear energy to combat aircraft, as summarised below.

## Key areas of Opportunity

- Space: An MoU was concluded in 2010 between the Indian Space Research Institute and the Centre Nationale d'Etudes Spatiales for joint work in Earth observation
- Nuclear Energy: Civil Nuclear cooperation aiming at
  - an initial 2 (and upto 6) reactors of 1600 MW each is expected between Nuclear Power Corporation of India Ltd. and Areva.
- Defence Procurement: Major deals in this segment include-
  - Rafael Aircraft as contender for the MMRCA bid: Anticipated as the most expensive (flyaway cost) aircraft in the MMRCA, it may also come with possibly the largest price-tag in terms of total contract cost, though Dassault has made strenuous efforts to convey to the IAF that commonality of infrastructure with Mirage will significantly lower the total cost. The above message may require to be repeated with greater frequency and on a larger scale.
  - Upgrade of Mirage aircraft: Although delayed on account of cost concerns on the Indian side, France hopes Dassault, MBDA and Thales will secure the deal for modernisation of the Mirage 2000 fleet.
  - Six Scorpene Submarines :Construction of the first batch of 6 submarines is already underway at Mazgaon Docks in collaboration with DCNS of France. End-2011 will see award of contract for a further 6 submarines, worth over USD 11.10 bn, as part of the next phase of the P75 I project.
  - Maitri Missile programme: Also in the pipeline is a large USD 6 bn order for Maitri Missiles in which MBDA is a partner. Hence, There may be a perception that should the MMRCA contract be awarded to the French, the ensuing quid-pro-quo may not be on the same scale, a perception – the mitigation of which is the greatest challenge currently for the French.
  - Light Combat Aircraft: French firm Snecma will, as part of a Joint Venture with DRDO, India, will assist with development of the Snecma-Kaveri engine to power India's Light Combat Aircraft. Dassault Systemes ' Production Lifecycle Management software has been deployed in development of the LCA.
  - Assessment of future prospects in this sector for French entities however must be made, among other factors, in terms of its status as an EU member—state and unfolding evolution of the Foreign Policy competencies of the European Union as an actor in its own right.

## Assessment with respect to the EU

- As an independent actor and negotiator on behalf of its member-states, the credentials of the European Union are well established.
- Challenges thrown up by the economic downturn have lent renewed vigour to the debate on fiscal and political union alongside monetary union.
- France's 2010 White paper on Defence and National Security identifies the European ambition as priority, signalling the ushering of a pan-European defence project.
- The Lisbon Treaty of 2009 has effected redistribution of foreign policy competencies in favour of the European Union vested in the position of the High Representative and Vice President of the European Commission and the European External Action Service (EEAS).
- The EU Delegation to India will be amongst the first to witness the full extent of restructuring resulting from coming into being of the EEAS.
- Consequent political engagement with European, alongside member-state, diplomats is likely to draw attention to developments at the supra-national level of the EU and expand the scope of engagement beyond the conventional bilateral level.
- For European consortia this would provide the political backing hitherto mainly enjoyed by entities with single-country affiliations.
- Ensuing competition is likely to leave the ambit of EU Competition Law, designed to prevent extension of unfair advantages by Governments to domestic industry under European Commission oversight, widened.
- Indian businesses would be presented with the promising opportunity to position themselves in alignment with this significant institutional evolution and its political fallout.

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