

Military Budget 2013-14

Giant with Feet of Clay

GAUTAM NAVLAKHA

An amazing amount of money is spent on the armed forces, which depend heavily on imports of everything from weapons systems to spares, even as they are increasingly deployed to deal with internal conflicts. This article points out that both the dependence on arms imports and the expansion of the forces to tackle domestic troubles not only push up costs but also jeopardise the country's strategic manoeuvrability. It contends that it is high time the received wisdom on these matters was closely examined.

India's annual budget does not spell out the assumptions underlying financial allocations, although the allocations are informed by them and funds for various departments and ministries of the central government are determined within parameters and definitions set by policy decisions. This issue acquires importance in the absence of a robust debate on military or security matters. There is in general a fawning acceptance of the military's role in the service of the "nation state" even as the "steel frame" shows signs of corrosion from its dependence on arms imports and the role it plays in the suppression of our own people. The passage of the Arms Trade Treaty (ATT) by the United Nations (UN) General Assembly on 2 April 2013 made the linkage palpably clear.

According to the expenditure budget 2013-14, the allocation for defence is Rs 2,53,345.91 crore. This constitutes approximately one-sixth of the total expenditure (TE) of the Union of India, estimated to be Rs 16,65,297 crore. If allocations to other formations of the armed forces under the Ministry of Home Affairs and 50% of the expenditure under the department of atomic energy and space are considered, the total climbs to Rs 3,13,921.91 crore, or more than one-fifth of the TE.¹

The capital outlay for defence stands at Rs 86,740 crore. Payments for acquisitions from foreign suppliers are from this account. Allocations for defence purchases have been going up every year despite a shortfall between the estimated and revised budgets. Thus instead of spending the Rs 79,600 crore provided in the estimated budget for 2012-13, the Ministry of Defence (MoD) spent, according to the revised budget for 2012-13, only Rs 69,600 crore. Yet allocation is robust at Rs 86,740 crore. Payments to foreign

suppliers were reportedly \$3.5 billion (Rs 18,000 crore) in 2011-12 when the actual expenditure was Rs 67,000 crore.

For the current financial year, the estimated outgo on pay, allowances, and miscellaneous expenses of army, navy and air force personnel stands at Rs 63,037 crore of the allocation of Rs 1,12,223 crore. If we add the Rs 44,500 crore set aside for defence pensions, which is but deferred wages, the wage bill for the three forces will be Rs 1,07,500 crore.

These two categories of expenditure account for nearly 65% of the total defence outlay of Rs 3,13,921.91 crore. Both need closer scrutiny. First, there is the excruciatingly slow pace of indigenisation of war equipment. Second, the recurring manpower accretion in the armed forces raises questions about the fiscal burden it has become and the social costs it carries.

Domestic War Industry

Although the defence industry was opened up to Indian private sector participation in May 2001 with foreign direct investment (FDI) allowed up to 26%, an unstarred question (No 1605) in the Rajya Sabha on 28 March 2012 wondered why only 15% each of the "armed business" (sic) went to the domestic public and private sectors, while the remaining 70% went to foreign corporations. The answer claimed that "procurement from indigenous sources accounts for about 65-70% of expenditure on capital acquisition". This would suggest that India's dependence on foreign suppliers is far less than claimed. But the devil is in the details. Military acquisitions from defence public sector undertakings (DPSUs), the Ordnance Factory Board (OFB), and the domestic private sector include foreign supplies, components, or royalties, but these do not form a part of defence sector accounts. So the full extent of foreign dependence does not get revealed.

It is estimated that India will spend \$150 billion (Rs 7,50,000 crore) over the next 10 years on arms imports. The shopping list includes six Lockheed C-130J

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Super Hercules military transport aircraft for \$1.2 billion (Rs 6,000 crore), 126 Rafale medium multirole combat aircraft from Dassault for \$20 billion (Rs 1,10,000 crore), 310 Russian T-90 tanks for \$800 million (Rs 4,000 crore), eight Boeing P81 Super Hunters for \$2.1 billion (Rs 10,500 crore), 250-300 FGFA Sukhoi T-50 PAK FA for \$30 billion (Rs 1,50,000 crore), and 10 Boeing C17 Globemaster III aircraft for \$5.8 billion (Rs 29,000 crore). Modernisation of INS Vikramaditya will cost \$2.33 billion (Rs 11,650 crore). The list further includes 3,000 artillery guns for \$4 billion (Rs 20,000 crore), 75 Pilatus trawler aircraft for \$1 billion (Rs 5,000 crore), attack and heavy lift helicopters for \$2 billion (Rs 10,000 crore), six mid-air refuellers for \$1 billion (Rs 5,000 crore), and 197 helicopters for reconnaissance and surveillance for \$650 million (Rs 3,250 crore).

In addition, the army wants to arm 356 infantry battalions, and has been asking for other “fighting and support” arms such as weapons for close-quarters battle, carbines, light machine guns (LMGs), specialised sniper rifles and anti-bunker bursting rifles. An expenditure of Rs 4,850 crore is being made for 65,000 rifles to equip 120 battalions, and the OFB is to supply 1,13,000 rifles. The army also requires 16,000 762x51 mm LMGs and 3,500 sniper rifles with an effective range of 1 km, according to a news report (*Times of India*, 20 December 2012). This is by no means a complete list.

While India has emerged as the largest importer of arms with a 12% share of world arms imports, it has sunk to sub-Saharan levels in social indices of development. Whereas the US imports only 10% of its weapons, and China 30%, India imports 70%. If imports by DPsUS, whose import dependence is 35% to 45% of their budget, are taken into account, India's total dependence on arms and component imports could be as high as 80% to 85%. While the major focus in India where arms imports are concerned is on bribes (or kickbacks), for which there seems to be a nexus of politicians, corporations, bureaucrats, defence officers, and media personalities, there is another factor that deserves

attention – the possibility of the dependence on imports jeopardising the country's strategic manoeuvrability.

Costly and Cheap

Former Naval Chief Arun Prakash has pointed out that every imported piece of military hardware, spare part, or component means that “we are at the mercy of the seller nation for 30-40 years thereafter” (*Times of India*, 14 March 2013). Being at the mercy of sellers has security implications, and it also makes for heavy costs. Sixteen of the 66 Hawks aircraft of the air force were grounded, according to Union Minister of Defence A K Antony, because BAE Systems failed to deliver spares and components. Even after imposing a fine in 2010 “gaps remain”, he said (*Indian Express*, 18 December 2012).

Or take the upgradation cost of 51 Mirage 2000 aircraft. It was officially said to cost Rs 167 crore for each jet fighter. But Antony told Parliament on 4 March 2013 that

an escalation of 3.5% per annum...to the contracted cost of the year 2000...works out to be Rs 195 crore at 2011 levels. Thus the upgrade has been undertaken at 85% of the aircraft's escalated cost.

However, Rs 167 crore works out to Rs 8,517 crore for 51 aircraft and does not include the Rs 2,430 crore being spent for “other” items, which takes the total cost to Rs 10,947 crore. This does not take into account the two separate contracts signed by India with Dassault Aviation and Thales for Mirage 2000 weapon systems integration at a cost of Rs 6,600 crore. Thus, the total cost of upgradation will be Rs 17,547 crore, or Rs 344 crore for each aircraft, which is more than double that cited by the defence minister.

If delay in supply of spares and cost overruns is one area of concern, another is the poor quality of components used in imported hardware. It was reported in the press that the C-130J transport aircraft and P8 Poseidon series of maritime surveillance planes from the US had counterfeit parts in them (*Indian Express*, 23 May 2012). But nothing more was heard of this later. Yet another area of concern is that when a weapons system is being developed, it tends to get inordinately

delayed. The refurbishment of India's aircraft carrier has been slowed down because the German company that was to provide the gear box supplied equipment that was rejected and has to be redesigned. The carrier was to be launched by October 2010, but now it looks like it will be in 2016 (*Tribune*, 20 June 2012). The 14th report of the Standing Committee of Parliament on Defence (2011-12) noted that there had been a fourfold increase in the initial estimated cost of the aircraft carrier, Project 15 (destroyer), Project P-15A (warship), and Project P-17 (warship). It observed, “Russian equipment initially estimated to cost about Rs 93 crore per ship finally cost Rs 707 crore per ship”.

The problem of imported parts for imported hardware or indigenous weapons systems remains a pervasive issue because successive governments over 66 years have spoken of indigenous development, but not been able to bring this about. Referring to the acquisition of Czech Tatra trucks by the army, Minister of State for Defence M M Pallam Raju told the Rajya Sabha on 9 May 2012 that “there is no need for us to manufacture everything”. He added, “As it [manufacturing trucks] is not critical technology, it is not given priority”. So, let us take the case of Vehicle Factory Jabalpur (VFJ), which comes under the OFB.

This plant undertook to manufacture two new trucks on the basis of transfer of technology (TOT) from Ashok Leyland and Tata Motors in 1997-98. The Comptroller and Auditor General (CAG) states that it had spoken of “tardy progress in implementation of TOT” as early as 2001 (Army and Ordnance Factories, Report No 16, 2012-13: 90-97). The report points out that the project envisaged the establishment of facilities for in-house manufacture of 12 assemblies with components by September 2001, which would enable “progressive deletion of completely knocked down/semi-knocked down (CKD/SKD) items supplied by the collaborators”. The CAG observes that only four assembly items could be manufactured even nine and half years after the planned period of completion. Their value was 17.46% and 16.63% against the planned targets of 59% and 52%,

respectively. In terms of the number of items manufactured in-house in 2011-12, they constituted only 10% to 18% and 3% to 11% respectively of the two trucks manufactured under TOT. What were the reasons? The CAG says it was found that 33 of the 59 machines commissioned were underutilised by 35% to 70%. The OFB claimed that was due to less production (low orders from the army) and a reduction in manpower. But the CAG contends that continued procurement of CKD/SKD items from the two companies as recently as in 2011-12 shows that the OFB failed to increase in-house production even a decade after it was expected to do so, and when it had firm orders from the army.

The Indigenous Tortoise

The question is why was there a delay that made it necessary to continue buying knocked-down kits from the two private companies? If this is the fate of TOT for a product that does not involve critical technology, what does it say about our capacity to integrate critical technology of the kind that goes into making

advanced weapons systems? There is no answer to this. In the deal for the Rafale fighter jets, Dassault Aviation is to supply the first 18 “fly away aircraft” directly to the air force, while the remaining 108 will be produced under licence at Hindustan Aeronautics Ltd (HAL) in Bangalore. Dassault insists that it will only provide the kits and equipment, but will have no role in production. This has put a spoke in the wheel of negotiations, and there is the likelihood of delay, which will push up costs.

The CAG report mentioned earlier also says that Pinaka, a multi-barrel rocket launcher system, was developed for the army by the Defence Research and Development Organisation (DRDO). It was sanctioned in 1986, and induction into the army was to begin in 1994, but the project is running two and half decades behind schedule. There have also been problems with the quality of the product. The army ordered 4,752 rockets between 2007 and 2012, but had received only 1,561 until March 2011. During proof firing in 2008, there was an accident. Following an investigation,

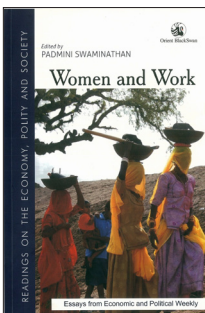
407 rockets were found to be “unserviceable”. To compound the problem, nearly Rs 90 crore worth of components and assemblies were purchased from the market because of delays in setting up various facilities (such as “insufficient infrastructure at ordnance factory (OF) Itarsi for manufacture and static testing”).

Another part of the same CAG report points out a different problem plaguing the OFB, which was set up to meet the needs of the armed forces for arms, ammunition, armoured vehicles, ordnance stores, and the like. The 39 factories under it employed 98,914 personnel in 2010-11. Since 2006-07, there has been a decline of 12% in “industrial employees” (a euphemism for workers) – their number fell from 74,181 to 65,306. In the same period, the number of gazetted officers increased by 139%, from 3,877 to 8,306. There is no explanation why there was this rise in Group A and B officers while the number of workers was declining. The shortfall against the target increased from 26.71% in 2006-07 to 34.90% in 2010-11, and capacity utilisation of the plant declined from a high of

Women and Work

Edited by

PADMINI SWAMINATHAN



The notion of ‘work and employment’ for women is complex. In India, fewer women participate in employment compared to men. While economic factors determine men’s participation in employment, women’s participation depends on diverse reasons and is often rooted in a complex interplay of economic, cultural, social and personal factors.

The introduction talks of the oppression faced by wage-earning women due to patriarchal norms and capitalist relations of production, while demonstrating how policies and programmes based on national income accounts and labour force surveys seriously disadvantage women.

This volume analyses the concept of ‘work’, the economic contribution of women, and the consequences of gendering of work, while focusing on women engaged in varied work in different parts of India, living and working in dismal conditions, and earning paltry incomes.

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84.90% in 2007-08 to 71.64% in 2010-11. But, the CAG notes, supervision charges as a percentage of direct labour charges were “quite high”. The report says, “For every Re 1.00 spent on direct labour, the supervision charges ranged between Rs 1.18 and Rs 1.40”. It goes on to say that since Group A and B officers constitute a “major element” of the supervision charges, the “correlation of supervision charge to direct labour charge was out of pattern”.

In all the three instances cited above delays, an inability to meet demand, and a failure to create facilities and manufacturing capacities meant that weapons systems or critical parts had to be bought from the market. Is there a deliberate design to run down DPSUs? Was the decision to make the OFB top heavy meant to push up the cost of production and delay creating in-house capabilities? Is there a link between this indifference and the dependence on imports, where the scope for corruption is very high?

Foreign Dependent Indigenisation

Indigenous efforts also get stalled due to delays in decision-making. On 20 March 2013, India “successfully” test-fired the 290-km-range BrahMos underwater missile, reportedly becoming the first country to do so. The catch is that India lacks submarines on which these missiles can be mounted for launch. According to a news report, none of the Russian, German, or French Scorpene submarines under construction at Mazagon Docks at a cost of Rs 23,562 crore and running three years behind schedule, will be capable of using BrahMos (*Times of India*, 21 March 2013). Instead, an indigenously developed submarine, Project 75-India, is to be constructed. However, this project is yet to take off and even a “request for proposal” has not been issued. Thus every step taken towards developing indigenous capability is negated by a lack of progress in other areas.

The MoD’s much-touted “offset” policy has come unstuck after the CAG found that Boeing, Lockheed Martin, and Russian and Israeli firms have violated the norms that were laid down. The CAG lists how Rs 3,410 crore worth of waivers

were given to foreign firms against the rules. In the 16 offset contracts concluded between 2007 and 2011, valued at Rs 18,440 crore, off-the-shelf equipment without any value addition worth Rs 3,410 crore was procured from Indian offset partners. What is significant is that the MoD allowed 100% owned subsidiaries of foreign vendors to be treated as Indian offset partners (*Indian Express*, 30 November 2012). Is this an indirect way of easing the way for FDI in the defence sector? Could this be reason why the union commerce and industry minister recently argued for raising the FDI cap in the defence industry from 26% to 49%?

An argument advanced by votaries of FDI in the defence sector is that profit and greed are powerful incentives for research, innovation and efficient production. While the desire for profit is now very evident in every area of the economy, there are serious doubts about whether greed and profit act as incentives for research and innovation. More importantly, there are very valid reasons why the defence sector (as has happened in education and health) should not be guided by this view. The best illustration of this is the success India has had in the development of space technology. Of course, one has to admit greed and profit may be powerful incentives to purchase foreign defence equipment.

The ATT adopted by the UN General Assembly will come into force as soon as 50 members ratify it. It seeks to regulate the international trade in conventional weapons, estimated to involve \$70 billion a year, and set standards by linking sales to human rights, prevention of war crimes and protecting civilians. India abstained from voting, and the government argued that the treaty actually empowers arms exporters and places buyers at a disadvantage, while allowing the supply of weapons to non-state entities such as in Syria now or Libya earlier. For instance, it could jeopardise India’s security if spares are not supplied on one pretext or the other when we need it most. This treaty calls into question the right of all states to acquire, produce, possess, and trade conventional weapons, but it gives the North Atlantic Treaty

Organisation (NATO) and the US’ client states in the Arabian Gulf enormous power to pursue their parochial agendas. Even without the treaty, arms suppliers have been able to trouble India by denying or delaying spares and other items. The treaty will augment the powers of the leading arms exporters to pressure countries that import weapons systems, and they could leverage this to extract other concessions. Since India imports 70% of its arsenal, this puts it in a very vulnerable position.

Manpower Augmentation

In 2000, army chief V P Malik announced 50,000 soldiers would be reduced over two years by not filling vacancies in non-combat jobs. No one even talks about this anymore. Much worse, in 2007, the CAG reported that 33,000 soldiers had been recruited above the authorised strength by the army, which claimed that it had erred in estimating “wastages” – retirements, desertions, failures in training, discharges on medical grounds, and deaths (*Hindu*, 26 May 2007). Now more than 89,000 men and 400 officers are to be recruited by the army to fill posts in the new Mountain Strike Corps, headquartered at Panagarh in West Bengal, to be deployed along the border with China, along with two mountain divisions that are being raised during the Twelfth Plan period. There are also reports about two armoured brigades being raised for Nathu La in Sikkim and Chusu in Ladakh, besides an infantry brigade for the middle sector, the Barahut plains of Uttarakhand. All this is at an estimated cost of Rs 65,000 crore, and does not include the two new infantry divisions raised in Lekhapani and Missamari in Assam in 2009-10.

The strength of the three services is now 1.3 million. If the one million in the central paramilitary forces (CPMFs) is added, the armed forces with 2.3 million accounts for nearly half of all central government employees, estimated to be 4.7 million in 2013 (which includes 1.3 million railway and 4,80,000 postal employees). Consider this to get an idea of the rapidity of employment generation in the armed forces – in 2012, the strength of CPMFs was 8,70,000, but it is

slated to rise to one million in 2013. Compared to the Indian Railways (stagnant) or the postal department (marginal increase), the most employment generation in government services is taking place in the military sector. For example, the Indo-Tibetan Border Police (ITBP) had 1,500 personnel in 1962, 77,000 in 2012, and it will be 89,000 by 2015. Phenomenal growth indeed.

This has fiscal implications. At present, the estimated outgo on pay, allowances, and miscellaneous expenses of army, navy and air force personnel stands at Rs 63,037 crore out of the Rs 1,12,223 crore allocated to them. If we add the Rs 44,500 crore set aside for defence pensions, the wage bill for the three forces goes up to Rs 1,07,500 crore. Add to this the Rs 33,733.82 crore allocated to CPMFs, and 45% of the pension outgo of Rs 20,049 crore for central government employees (minus defence and railways), which works out to Rs 9,500 crore. We then see that the total wage and pension burden on the exchequer for the military sector is Rs 1,50,734 crore.

At least four corps of the Indian army, corps III and IV in the north-east and XV and XVI (the largest of them) in Jammu and Kashmir, are engaged in internal security operations. Eighty per cent of the nearly one million-strong CPMFs are deployed for internal duties. For instance, the Central Reserve Police Force (CRPF) has 85 battalions fighting Maoists and 62 battalions in Jammu and Kashmir. To put it another way, more than 50% of the armed forces are engaged, one way or another, in internal security. There are ways to prevent conflicts escalating into physical fights. And even if a fight breaks out, it is possible to prevent it from escalating through means other than military. Could exploring other options have prevented augmentation of the armed forces?

It is also known that every war zone in India sees a new force being raised. For instance, the situation in Jammu and Kashmir saw the emergence of the Rashtriya Rifles with more than 66 battalions. Now that militancy has abated if official accounts are to be believed, why have they not been disbanded?

When left-wing extremism became the new internal security threat, a unit called Commando Battalion for Resolute Action (COBRA) emerged within the CRPF as a special force to be used against the Maoists. Now the central government has a new plan of raising a Greyhound force in Jharkhand, Chhattisgarh and Odisha at a cost of Rs 750 crore over the next five years. Going by past practice, none of these new formations will be disbanded even if left-wing extremism ceases to be a big threat.

Tragically, there is a paucity of analysis of what it would mean if there was less military suppression and more political will to find democratic solutions to internal conflicts. As a result, we do not know how many lives or how much money the country could have saved, or what benefits would have accrued if the same resources had been used for more productive ends. It is striking that in India there is no peace movement worth its name campaigning for ending wars against our own people. There appears to be a preference for symbolic campaigns such as the one against the Armed Forces (Special Powers) Act (AFSPA), which waters down the demand for its repeal with attempts to "humanise" it. But there is no campaign against the impunity enjoyed by the armed forces, which will remain even without the AFSPA. The links between wars at home and the AFSPA are also avoided.

If there were fewer battalions of CPMFs waging wars against our own people, there would be a lower wage bill and less loss of civilian and combatant lives. If the government pursues dialogue and a no-war agenda at home, people could find less reason to take to arms. Or if the state had ensured the prosecution of Hindutva activists right at the beginning, it would have undercut the appeal of fascist groups among both Hindus and Muslims. Hindutva formations would not have felt encouraged to carry on with their divisive game, and Muslim groups would not have been able to use victimhood as a justification for revenge. While we cannot turn the clock back, it is worth realising that a preoccupation with military suppression, strong-arm methods, and an unequal application of

the law has undermined our constitutional democracy, and spawned a culture where hawks, jingoists, and chauvinists have a field day.

Be that as it may, as the armed forces gain in strength, they also stake claims for more power and pelf. It is no accident that the Intelligence Bureau (IB) and CPMFs have demanded a 5% reservation for the children of all serving and retired personnel in government-run professional and technical institutions. As a spokesman put it,

We are raising this demand as part of welfare measures for Central Armed Police Forces (CAPFs) who are engaged in counter-insurgency and anti-Naxal duties across the country. It will help lift the morale of the personnel battling on internal security fronts. Efforts have been on from last year itself (*Hindustan Times*, 10 November 2012).

The CPMFs also want that every member who dies in action to be considered a shahid (martyr) and receive the same benefits that army personnel receive when they are either disabled or die in the line of duty. When the union government recently reduced the number of cooking gas cylinders for a family to six, the CPMFs protested and demanded that they be treated on a par with soldiers who get subsidised cooking gas. Their argument was, "We are also fighting a war" (*Times of India*, 2 November 2012).

Glorifying the ignoble wars against people provides a fig leaf for those who desire more money, authority and power. Thus the duplication of the work of the civil administration by the security forces, if not their replacement, in conflict areas is not fortuitous, but a sign of their growing clout.

Summing Up

The two areas identified here do not represent all the problems plaguing the military sector. But they relate to each other, and are a self-inflicted wound. Decreasing morale, motivation, falling standards, and an ever-growing urge to enhance power and control in areas where they are deployed are fallouts of this. The issue of threat perception requires a relook because the link between the interests of the ruling

classes, the strategic perspective, and the preference for imported hardware needs to be interrogated. What is alarming is the absence of a counter-perspective that challenges the received wisdom of the establishment. For instance, do the two areas examined here indicate that with the armed forces primarily deployed to wage internal wars, their secondary role has become their main activity, and that their primary role of defending the country is hobbled by arms imports?

The passage of the ATT in the UN General Assembly means that India's conduct of wars against its own people, and its failure to bring its domestic laws in line with international conventions and protocols will no longer be easy to brush aside. Our dependence on international arms imports and record of wars at home will ensure that we feel the effects of both international opprobrium and arm-twisting. Consider that the US and NATO countries, who have become the main suppliers of arms to India, refused to heed its appeal to take its concerns into account. And these are the "strategic allies" we are expected to trust to stand by us through thick and thin.

If the arms trade was seen as a way to gain strategic autonomy by using lucrative deals to secure more elbow room, what has happened is the opposite. Supplier nations or corporations are the ones who have boosted their leverage vis-à-vis India. It is one thing to improve relations with other countries, but quite another to allow them to dictate terms. Similarly, with India shying away from international humanitarian laws and rules that govern wars, but accepting that the egregious nature of crimes committed during wars by governments are subject to international scrutiny (the resolution adopted by the UN human rights council on Sri Lanka in March 2013) its own record stands open to scrutiny. Rather than blame big powers, it reveals the gullible nature of the country's rulers.

When we study the military budget and look behind the numbers, we discover the anomalies in what passes for "national security". This phrase silences scholars and commentators from

examining whether the social composition of the armed forces represents India and its social diversity or whether there is a disproportionately high representation of some social groups. What happens to security personnel when they are deployed for decades in Muslim-majority Jammu and Kashmir as far as their communalisation is concerned? This apart, there are questions about the decline in discipline and morale as seen in incidents of suicide, fragging, jawan-officer standoffs, and illegal surveillance, not to mention the petty ambitions of senior officers, and the involvement of chiefs of services in scams. Yet, public discourse fails to join the dots and see the links.

How is it that instead of shedding 50,000 men as envisaged in 2000 we are adding 89,000 to the army by 2012-17? Even if there is justification for setting up a Mountain Strike Corps, would it not be better to free army personnel from internal wars to enable them to fulfil their primary role? On the other side, the accretion in strength and power of the armed forces has not made Indian citizens any more secure. Many crores of rupees invested in security and extraordinary laws since the 1980s could not avert Kargil in 1999 and Mumbai in 2008, which could have been prevented at a far less cost by the armed forces. Second, from the point of view of fiscal prudence, there is a need to look into the stupendous increase in the burden of military pensions, which is nearly four times that of civilian pensions. It is also sad that there are few who point out how the propensity for military suppression of the people has spawned a culture of violence in the country, and encouraged the military services to become brutish and parochial in the exercise of their increased authority. The rising assertion of the forces clamouring for privileges and perks is one indication. But Jammu and Kashmir revealed a more ominous side in that the army stopped the central government from withdrawing the notification of "disturbed areas" and the indemnity against prosecution provided by the AFSPA.

The problems posed by arms imports have brought in the idea of allowing the

private sector, particularly foreign firms, into defence production. Corporate houses and business papers argue for this though it is very doubtful if the greed for profit will boost defence production and innovation. The spirit of capitalism may be good for creating a mystique about it, but it will certainly be a recipe for disaster in defence production, as what has happened in the health or education sectors shows us. Much of "animal spirit" of capitalism displayed by India Inc in the past two decades was in any case a result of it gaining access to undervalued public assets. There is also the question of the commitment of Indian corporate houses to the country. An *Economic Times* report on 21 March 2013 said that "almost all businessmen [it spoke to] are considering increasing investments in other countries in order to reduce country risk, take advantage of opportunities elsewhere". In 2011-12, India Inc invested \$23 billion outside India – it goes where profit is assured and investment exposure is low. It is also vulnerable to the influence of foreign capital invested in it or raised by it as external commercial borrowings (ECBs), and can hardly be considered a "national asset". Besides, India's government is committed to promoting FDI and favours privatisation over the public sector even in core areas such as defence, health and education. This augurs ill for indigenisation where defence production is concerned.

So there are many issues that need to be interrogated. But until then, the two areas mentioned above pose a huge challenge. Our dogmatic and FDI-obsessed rulers have surpassed themselves in making us insecure. Unless there is a radical departure from current "national security" doctrines, and the propensity to wage wars against our own people, the vulnerability of the country to big power manipulations will only increase.

NOTE

- 1 It is significant that the 14th report of the Standing Committee of Parliament on Defence (2011-12) pointed out that the MoD presented varying amounts for implementing the "one rank, one pension" scheme – Rs 1,300 crore for one year in one place, and Rs 8,000-9,000 crore for the same period in another. Since pensions are deferred wages, the cost to the exchequer from the beginning of the period will be much higher.