



India-U.S. RDP Agreement – A Potential Booster for Indian Defence Exports

A defence trade-focused agreement assumes significance as India and the U.S. prepare to conclude a new 10-year defence framework for 2025-2035, designed to enhance defence industrial collaboration and provide policy framework for closer defence ties. There are already indications of better policy and regulatory alignments between India and U.S. in the defence domain.

As reflected in the Joint Statement of the Prime Minister and the U.S. President on February 13, 2025, the leaders have pledged to reassess arms transfer regulations, including the International Traffic in Arms Regulations (ITAR). Furthermore, India's status as a Strategic Trade Authorisation – 1 and active participation in the QUAD strengthens its standing in deepening defence cooperation with the U.S.

The U.S. is one of India's top three destinations for defence exports. The Reciprocal Defence Procurement Agreement (RPDA) has the potential to elevate these exports from components to complete systems, if leveraged effectively.

The Promise of RDP: A Leap beyond Components and Services

The RDPA shall be more than a bureaucratic handshake; it shall be a strategic lever to reshape India's defence export landscape. Unlike the Security of Supply Arrangement (SOSA), which focuses on supply chain resilience, the RDPA aims to harmonise procurement frameworks, allowing Indian and U.S. defence companies to compete on equal footing. By bypassing certain national policies like the [US's Buy American Act](#) and India's [Make in India Public Procurement Policy](#), the agreement creates a level

playing field for both sides. Indian firms can bid for U.S. defence contracts as if they were domestic players, and vice versa.

Once India signs the RDPA, it becomes a qualifying country under the U.S.'s Defence Federal Acquisition Regulation Supplement (DFARS), a set of unique requirements that the Department of Defense (DoD) suppliers must adhere to. As U.S. looks to buy more within its defence budget, Indian companies could supply designs, services, components, subsystems and complete systems at a competitive price which shall enable U.S. to optimise the defence budget. This is a big deal for India which has ambitions to reach a defence export target of INR 50,000 Crores by 2029. Currently, India excels in exporting components like F-16 parts or Chinook subsystems but finds it difficult to market complete systems.

The agreement is also in line with India's broader defence reforms, including the establishment of a dedicated Export Promotion Council (EPC) for the sector. Pair this with the RDP's potential to open U.S. markets, India could transition from a subcontractor to a co-developer of cutting-edge systems like jet engines, maritime surveillance, or counter-drone technologies with U.S.

The Challenges: Mismatches and Structural Gaps

While the RDPA promises mutual market access, it's not without difficulties. One major hurdle is aligning India's Request for Proposals (RFPs) with US procurement expectations. The structure and requirements of Indian RFPs is significantly different from the expectations of the U.S. defence companies.

While India's Ministry of Defence employs traditional contracts under the ["Make" Procedure](#) and IDEX scheme for defence innovations and R&D, the U.S. relies on other flexible procurement platforms like 'Other Transaction Authority' (OTAs), which often bypass traditional procurement rules to include R&D which could not be classified under RDPA, leading to uneven implications. This mismatch could limit the RDP's scope, particularly for innovative projects under the U.S.' OTAs. RDPA may require Indian defence contractors to offer non-discriminatory subcontracting to US firms, despite unfamiliarity with US regulations. Conversely, US firms find India's "Make" Procedure restrictive. Indian defence systems face global acceptance challenges due to limited anchor clients and sales, despite subsystem exports to over 100 countries.

The RDPA could address this through joint testing or U.S. procurements, but the agreement may lack specific mechanisms to facilitate this.

Implicit trade barriers in the U.S. may complicate matters. Despite exemptions from Buy American restrictions, the U.S. legislative measures like the [SECURE Technology Act \(2018\)](#), the [National Defence Authorisation Act \(2019\)](#), and [policies promoting sustainability](#), [subcontracting preference to SMEs](#), [anti-counterfeiting](#), [cybersecurity measures](#), and supply chain resilience collectively indicate a protectionist stance. These subtle protectionist measures could undermine the RDP's benefits unless India negotiates robust safeguards. For example, Canada's RDP with the US includes detailed commitments to fair competition, offering a model for India to emulate.

Finally, the Make-I programme, designed to foster indigenous design and development, has seen slow progress. Foreign direct investment (FDI) in defence, capped at [74 per cent for joint ventures, has attracted limited interest](#), with no major weapon systems yet manufactured under the Buy (Global-Manufacture in India) category. These gaps suggest the policies may be modified to incentivise foreign OEMs and align with the RDPA goals.

Maximising the RDP: A Strategic Roadmap

In FY 2024, the U.S. defence budget was US\$895bn. It is expected to cross US\$1tn in next one year. RDPA is important from the perspective of Indian companies having access to the vast U.S. defence market.

To unlock the RDPA's full potential, India must adopt a multi-pronged strategy. First, negotiators should prioritise transparency and specificity in the agreement. This means defining clear rules for procurement, dispute resolution, and proprietary data safeguards, drawing inspiration from Australia and Canada's RDPs. [Including R&D and acquisition services](#), as the U.S. does with the UK, could also broaden the agreement's scope, enabling collaboration on next-gen technologies like counter-drone technologies, hypersonics or AI.

Second, India must leverage the RDP to validate its indigenous defence systems. Joint testing with the U.S., similar to NATO's multinational exercises, could certify platforms like the Akash missile for global markets. [Co-production deals, like the GE-HAL jet engine collaboration](#), could further enhance credibility of Indian systems. Last year, Saab, a Sweden-based company, received a 100-per cent FDI approval from the Indian Government and will now produce the Carl-Gustaf M4 system under Saab FFVO India Private Limited in India.

Third, while we negotiate the RDPA with U.S., we must actively engage our defence companies to obtain international certifications, as applicable, in various key markets. This shall ensure that the Indian companies do not face regulatory hurdles in supplying defence articles to the West.

Fourth, domestic reforms are important. There are various suggestions such as relaxing Make-I funding caps and treating foreign OEMs on par with Indian firms for critical technologies. Identifying programmes like the Multi-Role Fighter Aircraft (MRFA) for the Buy (Global-Manufacture in India) category could attract FDI and boost manufacturing. The EPC's role in simplifying export authorisations and promoting India's defence brand will be equally vital.

Finally, India should align the RDPA with broader bilateral platforms like TRUST and the Defence Technology and Trade Initiative (DTTI). Prioritising co-development in high-demand areas like drones and counter-drones, missile systems, or MRO facilities, could position India as a global supply chain hub. The Autonomous Systems Industry Alliance (ASIA), launched in 2025, is a step in this direction, fostering industry collaboration in autonomous systems across the Indo-Pacific.

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