

Production of F-16s in India: Imperialism meets Protectionism

In a pub in rural New Zealand two men, one old and one young, come together to discuss world affairs, to have a drink and swap insults. They start by discussing an article, or a batch of articles, that one of them, usually the younger, has selected. During their conversation they also access other articles, the younger man via his smart phone and the older one via his venerable laptop, which also holds his database of geopolitical literature, and if rumour is to be believed, more besides. In addition there is a ghostly editor who also inserts references, often making snide remarks about the old man and correcting his lapses of memory.

Today's article is:

- Annie Gowen, "**As Trump vows to stop flow of jobs overseas, U.S. plans to make fighter jets in India**," *Washington Post*, 5 December 2016.
https://www.washingtonpost.com/world/asia_pacific/as-trump-vows-to-stop-flow-of-jobs-overseas-us-plans-to-make-fighter-jets-in-india/2016/12/05/a4d3bfaa-b71e-11e6-939c-91749443c5e5_story.html
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"Hi Sage. That a sav you're drinking? The new one on the blackboard?"

"Hello Marty. Yes. Bill's latest –Marlborough Vines¹

Marty soon returns to the table with a glass of wine for the Sage, and a bottle of beer for himself.

"Beer, Marty, no cocktail today?"

"No. Driving, and can't stay long. Have to pick up Ingrid. Promised to take her up the coast to see some seals."

"That seems a good way to win a woman's heart. Ingrid? The Swede? So now we have a name for her. Soon we'll be seeing her in the flesh."

"I'm not letting a dirty old man like you anywhere near her flesh. Forget it!"

The Sage laughed. "Glad that you feel threatened by my mature sex appeal Marty, but in this case my interest is purely avuncular."

"Purity is not a word that comes to mind when I look at you Sage. Anyway, did you get that article I sent you on the production of F-16s in India? You're an old India hand aren't you? The land of the Kama Sutra and all that. That's probably what sent you down the road of depravity."²

“Well I have knocked about there a bit but I’m afraid the Kama Sutra was under wraps by the time I got there. Not sure whether it was the baleful influence of the Brits, or that of the Mughals, but when I was first in India Bollywood stars were not allowed even to kiss on screen, though I think they were allowed to hold hands, as long as they were singing at the same time and not going in the direction of the bedroom. I think things have brightened up a bit since then. . Anyway, yes, I got the article. Raises all sorts of interesting issues.”

“Guess Trump won’t be happy about production shifting to India. But can he stop it? Isn’t there a contradiction between his campaign rhetoric and the realities of globalising capitalism?”

“Absolutely. Contradiction will probably be the hallmark of his administration. On the one hand he recognises the problems caused by the offshoring of production, and his election victory owes a lot to discontent in large swathes of the working class – what the Americans call middle class – by the loss of employment, stagnation of wages, etc. but on the other he offers no real solutions.”

“But this case has the added military dimensions, hasn’t it? It’s not like shifting the production of air conditioners to Mexico.”

“Spot on Marty. Yes the military and strategic aspects heighten the contradiction and makes this a particularly significant case.”

“OK, before we get onto that can I just get my head around the offshoring business? Companies shift production offshore from the US to places like China to take advantage of lower wages?”

“Lower wages, or more precisely lower labour costs are a big part of it. Lower labour costs are due to lower wage rates but are also due to less protection to labour, say in hours worked or health and safety regulations. Then there is environmental protection which is an expensive business and costs might be lower there because of less stringent regulations, or circumvention via bribery and corruption.”

“But bribery and corruption is not just a poor country problem, is it? It takes two to tango.”

“Yeh, for every bribe taker there’s a bribe giver. International corporations tend to get round that by using middlemen. And despite what Transparency International would like us to believe, we have plenty of corruption in developed countries, but it often takes a different form, such as tax evasion. Don’t get me going on that or we’ll never get to India.”

“OK, don’t want to delay your journey. But what else affects location of production decisions?”

Big literature on that but off the top of my head lower energy costs – for instance cheap electricity down at the Bluff smelters, at the bottom tip of New Zealand, to process Australian bauxite into aluminium for Asian markets. Proximity to raw materials. Proximity to markets and getting in under tariff barriers – that’s one of the main drivers of production investment into developed countries. The Chinese are following in the footsteps of the Japanese and others and building manufacturing plants in the US. ³So a variety of reasons why a corporation may want to shift production from one place to another. On top of that production is no longer just done in one place. In the old days the Brits took cotton from India to Manchester where it was made into textiles. British labour, often female and children, was pretty cheap in those days...”

“19th century? The British Raj?”

“Yep. And the textiles were shipped back to India where local production was restrained by various measures. So a combination of market, technology and colonial administration meant that some people got very rich. But nowadays, apart from the fact that colonial administration is not quite on the cards, production is part of a supply chain, a network. Paul Krugman brought that up recently when dissecting Trumps’ fantasy about bringing manufacturing back to the US. Got a quote from him here somewhere. Ah, yes, here-

These days, hardly anything is simply “made in America,” or for that matter “made in China”: Manufacturing is a global enterprise, in which cars, planes and so on are assembled from components produced in multiple countries.⁴

“So Lockheed Martin shifting production of F-16s from the US to India is a bit of an oversimplification?”

“Yes, as the article says many parts for the F-16 will still be made in the States. Or perhaps a lot of them are already being made elsewhere. I don’t know but there must be an incredible number of different components that go into something as complicated as a fighter aircraft.”

“But it being a fighter aircraft introduces a whole range of other issues I guess?”

“Indeed. First of all there is the question of technology transfer. The Indians don’t just want to wield spanners and screwdrivers. They want a lot of technology transferred and they want to be involved in design and development of new versions.”

“Yes, they say that the F-16 is no longer being produced for the US military but for other air forces around the world so I guess there will be all sorts of changes and variations.”

“I’m sure you’re right. The question of technology transfer and moving up the value/technology chain is a long standing issue. There was a big tussle between IBM and India in the 1960s and IBM actually withdrew from India. Guess they are back now but still a clash between big players, with global implications.”⁵

“What was it about?”

“Can’t remember the details but basically IBM wanted to offload its older products in India, to squeeze the maximum out of its investment, and was loathe to transfer technology. The Indians didn’t like that. A classic conflict of interest between an MNC – a multinational corporation – and a developing country. MNCs would like to keep their various markets in watertight compartments but that has become increasingly difficult with globalisation, and also the growth of countries like China able to stand up to them.”

“But it seems that Lockheed Martin has agreed to transfer the production line to India, and to involve the Indians in supporting F-16s around the world. That suggests handing over a lot of technology and know-how.”

“Indeed, but how much we don’t know. For Lockheed Martin it seems that it is a device to continue milking the F-16 cash cow while devoting its energies to the F-35. But, yes, there are dangers.

Companies are wary about nurturing competitors. The article says that the deal to co-produce the Dassault Rafale fell over, presumably because of concerns over that sort of thing. The Americans have had problems with the South Koreans who have mastered technologies and gone on to steal American customers.⁶ And not surprisingly the Russians have had the same experience with the Chinese.⁷ That's all fairly predictable, both for commercial reasons and military ones."

"So for both sides supping with the devil with a long spoon."

"Wow, Marty, that's a very literary allusion."

"Good, eh? It's because I came across this cartoon the other day about the US using a long spoon to negotiate with Iran."⁸



"Beauty, Marty. Islamophobia has been a boon to cartoonists because they can recycle the old anti-Semitic clichés without changing the faces."

"But I would have thought it was the Iranians who needed the long spoon."

"Of course. We must discuss the Iran deal sometime. Where's this from?"

"The Times, London"

"Ah, that explains it. In negotiations like these both sides need a long spoon – whether it's the US and Iran, or Lockheed Martin and India. There is a conflict of interest and that affects both sides. However in general it is the smaller and weaker party that needs the longer spoon. In the case of the Times cartoon there's an obvious splash of racism – wogs are untrustworthy. Anyway, back to India and F-16s."

“You mentioned the military aspect but we haven’t really talked about that.”

“True, and you’ve got to get away to Ingrid and the seals. The Pentagon wants as many subordinate countries around the world to use American equipment. That’s partly because if they misbehave and show signs of independence then you can cut off spare parts and upgrades and then they are buggered. I think that’s what happened with Iran and with Venezuela.⁹

“All machines wear out and without spares and support they become unusable?”

“Yes, and so that’s a nice bit of leverage. And then there’s interoperability.”

“Sounds like something out of the Kama Sutra.”

“You’ve been keeping bad company, Marty”, sighed the Sage

“Modern weapons systems are very complex and interdependent. In the old days you could capture a musket from the invader and turn it against him. These fighter aircraft and other advanced weapons don’t work that way. They’re linked up and dependent on signals intelligence and satellites and so forth. So when the French and British attacked Libya in 2011 they could only do it because the Americans provided those key ‘intelligence assets’. Similarly the South Koreans can’t invade the North on their own because they need that crucial American support.¹⁰

“So the Americans in fact have a veto on military action?”

“Indeed, and the other side of that coin is that the Americans can utilise the military assets of these subordinate countries for their own military adventures. That’s from the technical point of view of course. They might balk for political reasons but that seldom seems to happen. I’m not sure how many countries who were asked were unwilling to join the Coalition of the Willing for the invasion of Iraq.”

“So for the Americans it’s a win-win-win-win situation. They make money out of the arms sales, they can disarm rebellious customers, they have a veto over their subordinates and they can utilise their militaries?”

“Yes, Trump of course got it wrong when he complained that other countries were free-riding on American generosity. In fact these countries are basically subsidising the American military machine.

“What about the Russians or the Chinese, wouldn’t it work the same way for them.”

“To some extent. The dynamics are the same. But neither have an empire so the question doesn’t really arise.”

“So this deal with India would be a way of locking in the Indians, and through them other countries that might buy these aircraft?”

“Yes, but the Indians are canny, so it’s not a done deal.¹¹ By the way, even NZ has been canny at times. Back in the 1990s the National government under Jenny Shipley agreed to buy or lease some F-16s so as to have an air strike capability. I think Pakistan had had a nuclear test so the US government would not allow the sale to go through and Lockheed Martin looked around for other customers.”

"And we fitted the bill"?

"Indeed. The problem was that no-one could really figure out what we would do with these planes. We just didn't have any suitable enemies within range. I seem to remember that the F-16s could bomb Sydney but wouldn't have the fuel to fly back."

"Not a very sensible way to wage war!"

"Yes, basically it was a way to make the New Zealand air force, and politicians feel important – the boys, reasonably enough want some toys and frankly it must be very difficult being in an air force with only cargo planes and whose symbol is the kiwi, a flightless bird not noted for its belligerence. And then of course the politicians wanted to feel that they counted on the world stage. But ultimately it was a subsidy to the Americans because the F-16s could only be used in an American war under Americans control."

"That's scandalous. What happened?"

The incoming Clark government cancelled the order to the great displeasure of the military establishment, and I guess the Americans."¹²

"Good one Helen! Anyway, I'd better be off. The seals are calling."

"OK, have a good time." I'm looking forward to meeting your Ingrid. Never been to Sweden, and I don't think I've even ever had a Swedish experience."

"What do you mean, Sage, you don't think? Can't you remember?"

"It's been a long life, Marty."

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³ Yizhu Wang, "Guess Who's Moving Factories to America to Lower Costs," *WhoWhatWhy.org*, 31 January 2017.<http://whowhatwhy.org/2017/01/31/guess-whos-moving-factories-america-lower-costs/>

⁴ Paul Krugman, "Making the Rust Belt Rustier," *New York Times*, 27 January 2017.https://www.nytimes.com/2017/01/27/opinion/making-the-rust-belt-rustier.html?_r=0

⁵ The Sage has got this slightly muddled, probably due to age and dissipation. See Dinesh C. Sharma, "Rise, fall and rise of IBM in India," *Business Today*, 17 June 2011.<http://www.businesstoday.in/current/corporate/ibm-india-george-fernandes-history-in-india/story/16367.html>

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⁸ Jeffery Hill, "Cartoon: He who sups with the devil should use a long spoon ..." *The English Blog*, 15 July 2015.http://www.englishblog.com/2015/07/cartoon-he-who-sups-with-the-devil-should-use-a-long-spoon-.html#.WJE_qeTaviU

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¹¹ S. Paul Kapur and Sumit Ganguly, "F-16s, Made in India," *Foreign Affairs*, 14 March 2017.<https://www.foreignaffairs.com/articles/united-states/2017-03-14/f-16s-made-india>

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