The year of 1991 witnessed tremendous changes in the international security scenario. Decline of Communism as a result of disintegration of the U.S.S.R. brought an end to bi-polarity. Despite the rise of new powers and their re-alignments and changing calculations, did not allow the world to be a safe and secure place.

Though there was no fundamental security issue which could result in direct confrontation between India and the United States, the Pakistan factor remained a prominent irritant from India’s point of view. Pakistan’s utility was reduced considerably in the strategic calculations of the United States after the withdrawal of Soviet troops from Afghanistan in 1989. The United States administration which had ignored Pakistan’s nuclear weapon programme earlier refused to deliver 28 F-16 A Fighter Planes, contracted for in 1988.

In the changed international scenario, India decided to forge more close relations with the United States. During the visit of the
Indian Chief of Army staff to U.S.A. in September, 1991, Lt.Gen. Kickleighter, Commander-in-Chief of the United States Army Pacific (USARPAC) made certain proposals. Accordingly, an Executive Steering Group (ESG) for Army, Navy and Air Force of both the countries was set up in January, 1992, March, 1992 and August 1993 respectively. Subsequently, this “cooperative engagement” became a regular feature of joint military exercises of both the countries.

This approach of the United States was viewed by Pakistan as a tilt towards New Delhi and a distancing from Islamabad. Washington also began to feel that suspension of military and economic aid to Pakistan, a long trusted ally, under the Pressler Amendment was unfair. So the Clinton Administration proceeded to exceptional interest in restoring military and economic aid to Pakistan by abandoning the Pressler Amendment. Further, in December 1993, Clinton Administration decided to legislate a new Foreign Assistance Act that which would have the effect of repealing the FAA of 1961 (including all amendments). It resulted in a wide ranging debate both in the United States Congress and in India. The Government of India showed concern about this
proposal of United States. It warned that it would disturb the security environment in the region, aggravate tensions and lead to an arms race. The American response to India’s apprehensions was that it was a bilateral affair between the United States and Pakistan.

To carry favour with the United States administration, Pakistan softened its stand on the non-proliferation issue in an United States sponsored International Conference on Population and Development held at Cairo. This resulted in opening up the blocked channels of military supply into Pakistan. For this, The Brown Amendment went ahead to propose a one-time waiver of the Pressler Amendment. However, the Brown Amendment could not be introduced due to opposition of the anti-proliferation lobby the United States. It was again labeled in the Senate in September 1995 as part of the Foreign Operations Appropriation Bill which was adopted by a margin of 55 votes to 45. This amendment enabled of easing Pressler sanctions which meant. United States worth $ 368 million was to be transferred to Pakistan. The amendment was also accepted by the lower House of the United States Congress on November 1, 1995 which adversely affected
the goodwill generated at the time of Prime Minister Rao's United States visit.

In fact both India and United States had differing perceptions on this issue of the arms assistance to Pakistan under Brown Amendment. India considered it as a serious security concern as well as a destabilizing factor in the region. Reacting to this, Admiral V.S. Shekhawat, Chief of the Indian Navy observed, "Any accrual of arms to a belligerent neighbour is a cause of concern. It will add to their capabilities which we have to take into account." As against this, the United States made it clear to India that the arms package to Pakistan was not against India but to counter Islamic fundamentalism.

Thus, the resumption of military relations between Pakistan and the United States was perceived as a major irritant in Indo-US relations, thanks to liberalization of the economy that deterioration did not go down to Cold War level.

**INDO-US DEFENCE COOPERATION**

There were no high level defence agreements between India and the United States in view of India's closeness to the Soviet
Union during the Cold War period. Precisely because of this very reason India found no place in the strategic defence and arrangements of the Pentagon. After Soviet Union's disintegration, there was some change in the defence calculations of the United States of America. Accordingly, United States Defence Secretary William Parry's visited India in 1995. During his visit Perry sought a basis for defence cooperation by meeting three-tier contact groups—the military, civilian official and defence research establishments. On January 12, 1995 the two sides signed an Agreed Minute on Defence Cooperation.

After signing the agreement Perry said, “This begins the process for deepening and strengthening the security relations between India and the United States of America. I call this significant and really historical because we have been for more than four decades without that kind of security relationship. The United States and India are both great powers. It is entirely appropriate that we have normal, constructive and positive security relationships. Signing this agreement is the first important step towards achieving that objectives.” However, Perry in his address to the National Defence College in New Delhi
on January 12, 1995 clarified that Defence cooperation with India will not be at the cost of Pakistan. He emphasized that mere signing of the agreement did not mean arms transfer or joint technology development. But despite these apprehensions the 'Amendment Minute' was generally considered both countries as a positive step towards defence cooperation.

The fact is the divergent strategic perceptions of the United States and India could not be bridged in the post Cold War era. However, signing of the "Aligned Minutes" during Defence Secretary Perry's visit to India, "The Kickleigher Proposal" for military-to-military cooperation, Prime Minister Rao's visit to USA in 1994, New Delhi's decision to postpone deployment of 'Prithvi' surface-to-surface missile, etc., these all reflect the softening of attitudes on both sides. The controversial sale of F-16s to Pakistan, which was seen to destabilize the region, politically and militarily, was halted. In all, Indo-US strategic relations were becoming more rational and cooperative. It was too unrealistic to expect overnight conversion of an adversarial relationship into a cooperative one.
KASHMIR ISSUE

Kashmir issue became a major irritant in Indo-US ties during Clinton Administration. Since the conclusion of the Simla Agreement in 1972, the Kashmir issue had been kept on the back burner. But with the advent of Clinton, the problem returned with urgency. In keeping with its self-assumed role of global 'peace maker' United States believed that it could solve the Kashmir riddle. The geo-strategic location of Kashmir was very important for United States of America in the changed scenerio. Because bordered on India, Pakistan, Afghanistan, Sinkiang and Tibet. Further, it was only a few kilometers away from the Central Asian Republics of Tadjikistan, Turkmenisatan and Uzbekistan. The strategic calculation of the United States was have a foothold in this Himalayan territory. It thought that it would help the United States to consolidate its supremacy over future challengers such as China, the Pan-Islamic world, Russia and also India.

Besides, the United States espousal of human rights and non-proliferation were the other reasons for the Clinton administration's renewed interest in Kashmir.
On May 18, 1993, Mr. John Malott, Acting Director of the Bureau of South Asia elaborated three basic principles which govern the US policy towards Kashmir. First, in the opinion of the United States all of Kashmir was a disputed territory. Second, the issue should be settled amicably between India and Pakistan and third, the United States was ready to help and encourage both countries to move beyond rhetoric to achieve the objective. Beside this, it strongly believed that any solution to the Kashmir problem must take into account the views of the Kashmiri people. President Clinton while addressing the United Nations General Assembly on September 27, 1993 included Kashmir among the crisis spots of the world. He said "Bloody, ethnic, religious and civil wars rage from Angola to the Caucasus to Kashmir." This statement of Clinton was vehemently resented by India.

To add fuel to the fire, On October 29, 1993, Robin Raphel questioned the validity of the instrument of Accession by which Kashmir became a part of India. It seemed that Raphel’s comment came under the influence of some recently published books. The most important in this context was Alastir Lamb’s "Kashmir: A Disputed Legacy." The argument in the book runs that Kashmir’s
accession to India was "through fraud and deceit". Some observers of Indo-US relations regard Raphel's remarks as a trial balloon to gauge the reaction of India and Pakistan. As expected the Government of India, press and opposition parties sharply reacted to this statement. The Indian intelligentsia apprehended that this might encourage the secessionist and disruptive elements in Kashmir. J.N. Dixit, former Foreign Secretary of India viewed it as "a prescription for the disintegration; of Indian Union." In fact, no one, not even Pakistan ever challenged the accession of Jammu and Kashmir to India. Raphel's statement was perceived in India as a shift from the earlier Kashmir Policy and a drift towards a dangerous course. M. Rasgotra, former Foreign Secretary of India rightly observed: "American policy shifted from unreserved endorsement of the Simla Accord, to its open denunciation, to unjustified accusations of human rights violations against our armed forces, rejection of Kashmir's accession to India, open advocacy of Kashmir's independence and surreptitious support for pro-independence elements in Kashmir."

The loud protest in India against Raphel's statement brought into focus the need of making some fence-mending efforts. Mike
Me Curry, the Official Spokesman of the United States State Department went on record to say "The United States respects the territorial integrity of India". Likewise Peter Tarnoff, Under Secretary of State for Political Affairs wrote a letter to the Indian Ambassador, S.S. Ray clarifying the United States stand that the United States did not regard the instrument of accession as disputed one." In this way, the United States administration made it clear that to India it was interested in developing and increasing "meaningful constructive and mutually beneficial relations". The letter also mentioned that negotiation between India and Pakistan under the Simla Agreement provided "the best means for resolving their dispute over Kashmir."

Further, Deputy Secretary of State, Strobe Talbott, who was in India in connection with finalizing the dates of Prime Minister Rao's visit to USA has also clarified the United States stand on Kashmir. He said, the position of the United States always had been and would continue to be, that the problem had to be resolved between India and Pakistan under the spirit of Simla Agreement taking into account the views of the Kashmiri people.
Not only this, Robin Raphel herself visited New Delhi. She said that she had come to clear up the "misunderstanding". She said, we finally believe that the history of this area is not necessarily a key to its stable future. But our view was that India and Pakistan should sit down in 1994 and sort out a practicable solution to this dispute."9

Raphel’s statement in New Delhi on March 25, 1994 and Clinton’s endorsement to this in his joint statement with Rao at the end of their summit de-escalate tension may be understood in this context. R.L. Bhatia, Indian Minister of State for External Affairs, set aside the controversy by stating that “India had broad-based relations with the United States and such statements needed to be overlooked in the wider perspective.”10

THE PROXY WAR: INFILTRATION OF INSURGENCY

Since 1947, three successive defeats made Pakistan realise that it could not wrest Kashmir by force. The humiliating defeat in the 1971 war left a lasting scar on the Pakistani psyche. Since then Pakistan was working on an anti-India project for what they
call “avenging the humiliation of 1971”. It had been resorting to covert confrontations with India. These included planning and waging “a low intensity war”,\textsuperscript{11} by sponsoring terrorism and encouraging subversive activities. In its attempt to destabilise and disintegrate India, Pakistan was training, aiding, abetting and arming the militants in Kashmir.

The presence of the Soviet Army in Afghanistan between 1979-89, provided Pakistan with a golden opportunity, in respect of playing the role of a frontline country for America. Pakistan’s ISI, which was channelizing arms from America and its allies to the Afghan Mujahideen found it easy to divert a sizable part of weapons for the purpose of fostering large scale terrorism in Kashmir. United States or its parts turned a blind eye towards Islamabad’s attempts to instigate terrorism in India.

Despite introvertible evidence, on July 14, 1993, the Clinton Administration decided not to declare Pakistan as a state sponsoring terrorism. However, Secretary of State Warren Christopher handed over an aide-memoire to Pakistan that warned it to stop its government’s support for the militants or face the
consequences. In the same spirit, Robin Raphel also said that the United States was “vigorously” opposed to foreign aid to militants in Kashmir. A delegation of Congressmen under the leadership of Gary Ackerman, the Chairman of US Foreign Affairs Sub-Committee for Asia and the Pacific visited Jammu and Kashmir in November, 1994. It admitted a foreign hand in Kashmir militancy.\textsuperscript{12}

It is surprising that despite official records of Pakistani involvement and insurgency in Kashmir, the United States did not declare Pakistan as a state sponsoring terrorism. Clinton Administration to bail out its ally led out the blame for the insurgency on strong indigenous elements and Robin Raphel advised India to find out the underlying causes of insurgency. In an interview with India Abroad New Service, she said, “the Indian government likes to blame all of their problems in Kashmir on the Government of Pakistan. But we think it is a very complex issue there and to a certain degree that insurgency is a homemade problem. Outsiders might have come to stir the pot, taken advantage of the opportunity, but you can not do that if people are not unhappy.”\textsuperscript{13}
There was no denying the fact that in fighting terrorists, there had been slight violations of human rights by Indian security forces. On the basis of these occasional incidents Pakistan, some international institutions like Amnesty International and Asia Watch, US-based human rights activists and lobbies depicted Kashmir as a human right issue. President Clinton himself and Secretary of the State Warren Christopher questioned India’s human rights record in Jammu and Kashmir. Even a bill was introduced in the House of Representatives seeking a ban on development assistance to India unless it permitted Amnesty International to investigate cases of alleged violation of human rights there. Rao Government resented such intrusive diplomacy bitterly and charged Clinton Administration with following a "sanctimonious diplomacy".14

In its attempt to internationalize the Kashmir issue, a draft resolution was introduced by Pakistan before the United States Human Rights Commission in Geneva where in human rights violations by Indian security forces in Kashmir were highlighted. But it had to withdraw its resolution at the last moment as it failed to find a co-sponsor.15 Even the United States did not make any
reference to human rights violations in Kashmir.

Indian Government on its part invited the Congressmen to visit India to observe things themselves rather relying on biased propaganda. At the joint session of the United States Congress on May 18, 1994, Prime Minister Rao stated, “The task that confronts democratic governments today is to maintain protection of human rights in the face of the most dangerous threat to the violation of human rights, namely, the bullets of terrorists. India is committed to protect its citizens from terrorism and no government worth its name can shirk this irresponsibility. We are taking scrupulous care to protect the rights of individuals under due process of law and punish human rights violations whenever they occur.”

To some political observers saw in United States's repeated concern for the welfare of the Kashmiri people just an euphemism for secession of Kashmir from India. Even the Home Minister of India, S.B. Chavan, smelt USA’s “evil design”, on Kashmir to “get a foothold in Jammu and Kashmir”, which it wanted to use as a launching pad against China in future. He chose the floor of Parliament for charging the United States for troubles in Jammu and Kashmir. The United States denide any such design and
dismissed Chavan's allegations as completely baseless. But the United States's close contacts with the rebel leaders of Kashmir suggested that Washington's Kashmir policy was not entirely above board.

The United States, the only great power of the post-Cold War era tended to assume that in the new set up it had an obligation to restore peace where it was disturbed and so, it could not remain a silent spectator in the Kashmir affair. It was ready to offer its good offices to solve such problems wherever they might occur. But India was against third party mediation. Any effort by the United States to intervene in the dispute was viewed in India either as self-serving or as a favour to Pakistan. Talking to India Abroad News Service, Ms. Raphel said, "The United States has no immediate intention of mediating between India and Pakistan over the Kashmir dispute despite the highly volatile situation there." But she acknowledged that Washington was always looking for that 'window of opportunity and "if we see an opportunity where we can be helpful, we will not hesitate to move." However, she hastened to add that it was possible only if both parties agree for a mediator kind of role for the United States. She also observed
that President Clinton wanted India and Pakistan to settle the dispute over Kashmir pragmatically and through mutual negotiation.

Thus, Kashmir problem was gradually occupying an important position in the United States agenda. Several official and non-official attempts were being made to resolve this issue. The most important was the initiative made by the United States Institute of Peace. It held two dialogues on Kashmir, one in January 1993 and other in January 1994. From the first dialogue an impression was gathered that the United States was exploring the possibility of an independent Kashmir. This was owing to the fact that Kashmir leaders on both sides had been invited in Washington to evolve a consensus formula. But the 1994 dialogue arrived at the conclusion that the problem could be solved within the present political framework of the sub-continent. To clarify United States Policy on Kashmir, Frank Wisner stated that the United States had no game plan in Jammu and Kashmir. The Clinton Administration wanted to be a “supporter” not “mediator” in solving this problem. Summing up United States policy on Kashmir, Raphel said, “this policy is pro-peace, it is
pro-reconciliation, it is pro-settlement.”.

NUCLEAR NON-PROLIFERATION

Nuclear Non-Proliferation remained another major irritant between Indo-US relations during Rao-Clinton period. Since 1991, the United States had been insisting upon India and Pakistan to undertake regional non-proliferation measures and on making South Asia a nuclear weapon-free zone. There was difference of opinion on the term ‘zone’ because of its ambiguity. The United States tended to consider China outside the geographic zone of South Asia while to India, China very much formed part of South Asia.

During this period, a shift was witnessed in the United States stand in this regard. Defence Secretary William Perry returning after his visit from China in November 1994 conceded that India could not be expected to consider the issue of non-proliferation of nuclear weapons and weapons to mass destruction only in the Pakistan context. He added that the non-proliferation in the region must include China. Later on, Defence Secretary Perry announced a bold departure in American nuclear policy in South
Asia on January 31, 1995. He said that the United States must cease its efforts to "roll back" India and Pakistan's nuclear capability. He now only wanted to "Cap" their nuclear capabilities. This change in United States policy paved the way for reconciliation on the non-proliferation issue which had become the most negative factor in Indo-US relations. Selling Harrison suggested that the United States and India could resolve their differences over non-proliferation through some pragmatic bargain. However, the Clinton Administration had not offered any concrete incentive to India and Pakistan for freezing their nuclear capabilities at the present level.

A considerable difference of opinion was evident between India and the United States on Nuclear Non-Proliferation Treaty (NPT). While, the United States was a staunch supporter of the NPT India was seen to be vehemently opposed to it owing to its 'discriminatory' nature. When Warren Christopher hailed NPT as one of the most significant treaties of all time India condemned it. Rao made India's position clear during his visit to Japan in June 1992. He observed: "We feel that the NPT is discriminatory." The critics of NPT charged that it has not contributed to disarmament,
while supporters of the treaty opined that it was not designed primarily for bringing about total nuclear disarmament. India held the view that any purposeful instrument for preventing the proliferation of nuclear weapons must follow specific time bound steps for the abolition of the nuclear arms of NWS and not become merely an exercise to disarm the unarmed. India proposed to the Eighteen Nations Disarmament Commission that a separate article needed to be incorporated in the draft of the directing treaty for the Nuclear weapons countries to undertake meaningful steps towards achieving the goal of disarmament.

Commenting on the draft of NPT, V.C. Trivedi, the Indian Representative to ENDC stated: "India is devoutly in favour of non-proliferation of nuclear weapons but it is equally in favour of proliferation of nuclear technology for peaceful purposes. India has long maintained that there should be no fetters of any kind on the development of atomic energy for the purposes of economic and non-military development. At the same time, India is willing to agree to international safeguards to ensure that no country manufactures or stockpiles nuclear weapons while undertaking research and development for peaceful nuclear explosive."
The divergence of views was evident on the question in regard to taking a decision for what period of time it would be extended. While the United States preferred indefinite extension, India stressed the need for accountability by the nuclear monopolists, periodically. The Clinton Administration made every possible effort to get the NPT extended unconditionally and indefinitely. The 'threshold' countries were its main target. It wanted them to be brought along through a pressure ploy and a co-operative gesture. Making India's stand clear, Prime Minister Rao ruled out signing of NPT but at the same time he promised that India would not make nuclear weapons. On May 11, 1995, NPT was extended unconditionally and indefinitely. The United States Administration had successfully mobilised the support of 178 countries. India kept its nuclear options open by not signing NPT.

In the changed global strategic environment, Indian and American approach towards the Comprehensive Test Ban Treaty (CTBT) had changed radically. In the eyes of United States the CTBT was primarily a non-proliferation treaty. But in effect real target was the threshold powers especially India. The United States and other nuclear monopolistic power wanted to trap India
in the garb of some non-proliferation scheme. There was no denying the fact that if CTBT came into effect, it would have the effect of the seriously hampering the nuclear weapon capability of India.

The analysis of draft treaty reveled that non-proliferation was horizontal only. The draft treaty did not ban vertical proliferation, as there was no provision for stopping non-explosive testing. Technologically advanced countries had evolved ways of testing nuclear bombs without carrying actual explosion. Infact such experiments continued even after a complete test ban. On August 20, 1996, Arundhati Ghose, Indian Ambassador, in her statement in the plenary meeting of the CD at Geneva, said: "Technologies relating to sub-critical testing, advanced computer simulation using extensive data relating to previous explosive testing and weapon related application of larger ignition, will lead to fourth generation weapons, even with a ban on explosive testing. Our objection, therefore, was a truly comprehensive test explosion ban treaty. A truly comprehensive treaty should have fossilised the technology of nuclear weapons."23
The United States and other nuclear power countries wanted to use the CTBT as a tool of non-proliferation rather than disarmament.24 Contrary to this, India insisted that CTBT should be placed in a complete disarmament frame. The five NWSs agreed to a time bound programme for the total elimination of nuclear weapons as a pre-condition to signing the CTBT. It held the view that CTBT had no meaning unless it is coupled with a phased programme for eradication of nuclear weapons. India's stand was supported by the International Court of Justice and the Canberra Commission on July 8, 1996.

On July 20, eight days prior to tabling of the final draft of the CTBT, India officially informed the Conference that it would not be possible to sign the treaty in its present form. The Chairman's draft test incorporated a peculiar clause (Article XIV) that the ban would come into effect only if 37 countries including the big five and three threshold nuclear powers on whose territories the international monitoring system facilities were located, sign and ratify the treaty. India announced that instead of signing the treaty it would prefer to withdraw its facilities from the international monitoring system. In order to trap India, the Chairman modified
the text and listed the ratification by 44 countries including India as essential condition for its coming into effect. India strongly condemned the imposition of obligations when it had clearly indicated its views and reasons for not signing the treaty. Arundhati Ghosh said: "it is unprecedented in multilateral negotiations and international law that a sovereign country denied its right of voluntary consent on adherence to an international treaty. We, therefore, expressed our strongest objections to the formulation of the Article XIV in the Chairman’s text."

In the wake of India’s strong opposition to Article XIV in the text, the negotiations were abandoned on June 28, 1996. While India showed its resentment over this coercive diplomacy, the international community blamed India as a ‘spoiler’. India always supported CTBT as an universal and non-discriminatory disarmament. But the draft text was another edition of a discriminatory NPT and India could not lend its support to it.

The Clinton Administration preferred to avoid throw down with India over CTBT. The State Department’s spokesman Nicholas Burns expressed the hope that India would change its stand and added that the United States was, “well aware of the
views of the Indian government, out to its historical perspective. We respect it."25

BAN ON FISSILE MATERIAL

Fissile material were the essential ingredients of nuclear weapons. Uranium 235 (U235) and Plutonium 239 (Pu 239) were the most common fissile materials. While nature had provided only one fissile material U-235, men have developed another Pu 239 as a by-product of uranium fuelled reactors. If production of fissile material was monitored by some international agency like IAEA and if NWS and threshold countries voluntarily stopped production of fissile material for weapon purposes then the goal of a nuclear non-proliferation or disarmament regime could be achieved, it is in this context that President Clinton, in his September 1993 speech at UNGA, called for “… An international Agreement that would ban production of these materials forever.”26 Like NPT and CTBT, FMCT was also an endeavor towards capping the capabilities of threshold states.

Clinton further suggested that the ban would only be on the future production of plutonium and Highly Enriched Uranium
(HEU) for nuclear explosive purposes and the stockpiled fissile material would be free of safeguards. Indian along with some other countries demanded a ban on the existing stockpiles as well. The proposed FMCT was not perceived by them as a nuclear disarmament measure. So, before the final draft could come out for discussion at CD, India announced its unwillingness to sign the treaty. Prime Minister I.K. Gujaral asserted that India would not sign the FMCT and reiterated that though the country was totally committed to use of nuclear power for peaceful purposes, it was not willing to close this nuclear options in the interest of the security of the country which would continue to receive the topmost priority.27

BALLISTIC MISSILES

The deployment, testing and acquisition of ballistic missiles technology, whether indigenous or transferred, also caused serious problem for the non-proliferation regime. The United States, the great advocate of non-proliferation in the post-Cold War period, viewed it with great apprehension. Accordingly, in the Clinton Administration’s third report to Congress, it was said, “We are convinced that the retention of a nuclear weapons option
and the acquisition of a ballistic missile delivery system undermines, not strengthen, the ability of India and Pakistan to meet their security requirements.”28

Besides, India suspended Prithvi test-fire during Rao’s visit of the United States in order to create an ambience of goodwill. But conducted two trials of the Prithvi missile after Rao returned from Washington in clear defiance of American policy postures against the missile technology. The Indian step was condemned by the USA and it was hoped that India would not repeat it. But on February 19, 1994, India launched its third successful test from the firing range in Chandipur-on-sea. Annoyed by this the Clinton Administration warned India against Agni and Prithvi missile programmes and asked India to halt them.29

India temporarily put off the Agni project ostensibly under United States pressure for about two years. But encouraged by the successful launch of Prithvi-II, the Agni project was also revived. Rao’s letter of congratulation to the Chief of the Defence Research and Development Organization, A.P.J. Abdul Kalam and his team makes this amply clear. In this he mentioned that “I have no doubt
that this is not the last significant milestone to be achieved.” Kalam’s answer was: “The flame of Agni is still on.” Rao also gave indication in Parliament that more tests of Agni were being planned.

In fact, India’s continuance with the ballistic missiles technology and United States opposition to it were owing to different perceptions. India’s defence planning rested on its threat perceptions but the United States perception was that this would not enhance India’s security. Rather it would endanger the security and stability of the region as a whole.

The United States felt that development or acquisition of ballistic missiles technology by India and Pakistan was resulting in destabilization of the South Asian region and so wanted both governments not to deploy them. Perry observations makes this amply clear: “Any step involving deployment of the Prithvi or M-11 would be clear escalatory action.” Thus, the United States viewed the missile programme from the proliferation aspect. India perceived it from a security angle for the entire South Asian region.
INDIAN OCEAN

The varying perceptions on nuclear non-proliferation issue were the major irritating factors in Indo-US relations. India had occupied the pivotal position in the Indian Ocean region. And the Indian Ocean formed a natural coastline to India on three sides. India being the major littoral power of the Indian Ocean and the United States "the external superpower" with economic and strategic stakes in the Ocean, their strategic interests militated against each other.

Furthermore, the post-Cold War era had brought crucial changes in the United States naval policy towards the region as well. In 1995, for the first time, an independent fleet had been established permanently for carrying operations in the Western Indian Ocean. This was indicative of increased American Commitment to the Indian Ocean as well as towards littoral countries of the region. The United States had transferred to Pakistan under the Brown Amendment an arms package officially estimated worth $368 billion.

This arms package had decreased the superiority enjoyed by
the Indian Navy in comparison with Pakistan’s Navy in the region. The Chief of the Naval Staff, Admiral V.S. Shekawat while commenting on the US naval hardware transfer to Pakistan said that “any accural of arms to a belligerent neighbour is a cause for concern, it will add to their capabilities, which we have to take into account.”32 Prime Minister P.V. Narsimha Rao had also warned the Clinton Administration on many occasions that this would lead to an arms race between India and Pakistan.

Indian Ocean had assumed great importance from economic point of view also. In a free market economy, the Indian Ocean had become doubly significant as the new silk route—from the Persian Gulf through the Indian Ocean to the sea of Japan passes through it. In November 1995, New hosted an international conference on the Indian Ocean, at which the need for making an Indian Ocean Community was emphasized. Furthermore, the SAARC Preferential Trading Agreement (SAPTA) came into existence. Besides, the mid-December ASEAN Summit accorded India full dialogue partnership to heighten the politico-economic importance of the Indian Ocean for India. Commenting upon the impact of these two developments, C. Uday
Bhaskar writes, "Both ASEAN and SAARC groupings overlap with the Indian Ocean. India's ability to infuse a sense of economic vigour, political equity, and a sense of non-provocative cooperative security through its engagements within these fora will be the litmus test for defining its image in the regional and global consciousness. This, in turn, will determine India's post Cold War credibility and clout." 

The initiatives of 1995, fructified in March 5-7, 1997 at Mauritius, when 14 countries of the region signed the charter of a new organization called Indian Ocean Rim Association for Regional Cooperation (IORARC). The formation of IORARC has provided the countries of the Indian Ocean rim a collective oceanic identity and a platform for cooperation.

**DEFENCE COOPERATION**

During the Cold War era, no significant defence cooperation could take place between India and America. However, in the changed security environment of the post-Cold War world, modest beginning could be seen in the field of defence. Joint naval exercises took place under the Kickleighter proposals. Four such
exercises had taken place in the post-Cold War years. These helped the Indian Navy to improve its operational capabilities to some extent. The United States intention to cooperate with the Indian Navy was to check the nuisance value of the Indian fleet for safe passage of its merchant vessels in the Indian Ocean.

The economic aspect of Indo-US relations broadly appeared to be encouraging to the observers of both the powers. The new international forces like MNCs (Multi-National Companies) and New International Institutions like WTO (World Trade Organization) were influencing the pattern of the relationship between India and the USA. It was economic diplomacy, rather than the conventional diplomacy which related to the political and military interests. This had become the major instrument towards influencing the India-USA relationship in the post-Cold War era. However, the analytic review leads one to conclude that the imperative for developing an economic relationship on more cooperative lines had not been significantly used by the governments, economic institutions and the people of both the countries.
All over the world, there had been a general trend of economic recession and deterioration. The economies of India and the America were no exceptions. When Prime Minister Narsimha Rao assumed office the Indian economy was virtually on the point of collapse. The main problem was the foreign exchange crisis. The Foreign Currency Reserves had touched the bottom and India had such a meagre reserves that it could not finance 15 days’ imports. The imports and exports balance was putting a pressure on the balance of payments position. The ever growing debt due to international agencies, Aids Consortia and NRIs (estimated to be more than Rs.1,00,000 crores) had also put a heavy strain on Foreign Exchange Reserves for making payments of the external loans. The Gulf War further affected the already adverse foreign exchange position. During the war, the price of imported oil increased from $ 16 per barrel to $ 40 per barrel. The country was bedevilled with the prospect of defaulting on its international payment obligation. The then caretaker government was left with no alternative but to resort to trans-shipment of gold to earn foreign exchange in order to honour the nation’s external commitments.
In 1990-91, India's fiscal deficit was Rs.43,441 crore and trade deficit Rs.10,644 crores. In May 1991, the rate of inflation reached the double digit figure of 10.6%. The caretaker Government instead of presenting a full-fledged budget passed only a vote of account. This further led to deterioration in the fiscal position.

On June 22, 1991, in his maiden address to the nation, Narsimha Rao spoke at length on the pitfalls of the economy and promised to tackle it on a war footing. He appointed Dr. Manmohan Singh, a renowned economist, as Finance Minister in order to bring about an expert handling of the ailing economy. The newly appointed Finance Minister pointed out that impediments in the way of healthy growth would be removed and the objective of a “modern dynamic and vibrant economy” achieved within a set time-frame of three years. Dr. Singh carefully devised a strategy for crisis management as well as putting the economy on the path of sustainable growth of 7 per cent per annum.

In USA also, Bill Clinton contested and won the Presidential election on the slogan of putting the Economy on the right path.
Paradoxically, the superpower was the most indebted nation of the world at that time because it owned nearly $400 billion to the rest of the world. Its economy was going through a severe recession. It had lost its competitive edge over other developed countries like Germany and Japan. It found it hard to compete with Taiwan and South Korea. American defence equipment sales had also gone down to an all-time low. The annual growth rate had touched the bottom. It was just one per cent which was unheard of in America since World War II. Unemployment had risen to 7.5 per cent which was the highest since August 1984. The budget deficit was over $300 billion. More than any other factor, foreign investors were capturing the American market. As a result, the United States was losing control over the economy and the capital market.

The ‘Competitiveness Policy Council’ in its report in March 1992 stated: “America’s economic competitiveness ... is eroding slowly but steadily. The average real wage is lower today than twenty years ago. Our national savings rate is now the lowest of virtually any major industrialised country and is less than half that of Japan. Our investment rate is also less than half that of Japan and below all our other major competitors.”

The Carnegie
Endowment in its report titled “Changing Our Ways” boldly declared that the crisis was basically political not economic.

President Clinton emphasised the need to improve competitiveness in the global market by following an aggressive foreign economic policy. The administration also called for the acceleration of export growth.39

The ailing Indian economy with or without IMF/WB guidance brought a package of reforms which included liberalizing trade policies and inviting overseas investment. It created an conducive environment that attracted foreign investors including US investors. US firms were looking at these opportunities with keen interest because skilled and cheap labour was available in plenty in India. Huge untapped resources, as well as a large market of 200 million middle class consumers, growing at the rate of ten per cent per annum was there for the United States to approach for business purposes.

**BILATERAL TRADE**

In this background, the Indo-US bilateral trade had registered a substantial growth as much as a fifth of all Indian
exports had gone to the USA. The Table given below showed the trade data between India and America for the period 1991-1997:

<table>
<thead>
<tr>
<th>Year</th>
<th>Export Trade</th>
<th>Import Trade</th>
<th>Bilateral</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>2,943</td>
<td>2,010</td>
<td>4,953</td>
<td>+ 0.933</td>
</tr>
<tr>
<td>1992-93</td>
<td>3,516</td>
<td>2,147</td>
<td>5,663</td>
<td>+ 1.369</td>
</tr>
<tr>
<td>1993-94</td>
<td>3,999</td>
<td>2,742</td>
<td>6,741</td>
<td>+ 1.257</td>
</tr>
<tr>
<td>1994-95</td>
<td>5,015</td>
<td>2,844</td>
<td>7,859</td>
<td>+ 2.171</td>
</tr>
<tr>
<td>1995-96</td>
<td>6,169</td>
<td>3,318</td>
<td>9,489</td>
<td>+ 2.851</td>
</tr>
<tr>
<td>1996-97</td>
<td>7,321</td>
<td>3,616</td>
<td>10,937</td>
<td>+ 3.709</td>
</tr>
</tbody>
</table>

The Table reveals that the bilateral trade had increased to a great extent. US Charge 'd' Affairs, Kenneth C. Bill, speaking at the inauguration of the three-day Electronic USA 95 at the Holiday Inn, Bangalore said, "Trade between India and the US had never been as strong as now. The volume of trade between the two countries was seven billion dollars last year with 1.5 billion dollars of surplus in India's favour. It is expected that two-way trade would touch $ 15 billion by 2000 A.D." The Table also shows that there was a continuous trade surplus in favour of India.
Thus, India earned a significant amount of foreign exchange entering trade ties with America. It not only helped in correcting India's Balance of Payment crisis but also offered "great opportunities" for development.

Ronald Brown, Commerce Secretary led the Presidential Business Development Mission to India in January 1995. He visualised the possibility of doubling the United States exports to India in five years from $2.8 billion to $6 billion by the year 2000. During Brown's visit to India, the Indo-US "commercial alliance" was also launched. This institutional framework was envisaged as an innovating government business initiative. It was intended to generate new bilateral business development efforts and dialogue over a two year period. It may be added that the term of alliance had been extended for two more years. Brown described the alliance as "a concrete example of the United States commitment to cement the foundations of an already existing ground of US-Indian relationship."41

Pranab Mukherjee, the Indian Commerce Minister observed that the alliance translated into action the shared objectives of
further development and the strengthening of commercial trade
and investment ties between the United States and Indian private
sectors.\textsuperscript{42}

UNITED STATES INVESTMENT

The liberalised Indian economy with its continent sized
market, basic infrastructure, skilled labour and the high rate of
return of FDI (Approximately 16 per cent) made itself attractive to
US investors. Further, the devaluation of the rupees offered an
excellent opportunity of using India as a manufacturing base.\textsuperscript{43}

The package of economic reforms envisaged by India
received strong support from the Government of the United States.
However, initially the mood of the investors was not very
encouraging and they wanted to wait and watch the progress of
reforms. Their concern was to ensure the safety of their capital in
a distant place before investment. But soon US investment
inflows got a momentum. They increased from Rs. 1859 million in
1991 to Rs. 10059 million in 1996.

Recognising the importance of its business ties with the
United States, the Prime Minister Rao decided to visit the USA
between May 14 and 19, 1994 along with business giants of India. Ignoring the arms-twisting attitude of the USA on the Kashmir dispute, its proposal to supply F-16 aircraft to Pakistan and its efforts to pressurize India to sign the NPT, the visit marked a bold initiative on the part of India.

The United States on its part undertook many steps to clear the atmosphere for Rao's visit. It appointed Frank G. Wisner as the US Ambassador to India. It lifted the embargo on ISRO and also deferred a decision to put India under Super 301.

During his visit to the USA, Rao focussed on economic diplomacy. Wooing American investors, Rao emphasized economic reforms had opened new avenues for them which might not be available elsewhere. The United States media highlighted India's market potential for US business setting aside the Indian US differences.

The Prime Minister Rao, addressing a luncheon gathering hosted by the Dow Jones Group claimed that the state of Indo-US relations had never been better, than now. Both countries saw their growing economic ties as the strategic foundation for a new
Thus, Rao's visit created a genuine spirit of goodwill. It was followed by the visits of high level American visitors such as Energy Secretary 'Hazal O' Leary, Commerce Secretary Ronald Brown and Defence Secretary Perry to India.47

Ever since India adopted liberalised market economy, a welcome improvement was evident in the Indo-US bilateral relations. The United States became India's largest trading partner with more than 7.5 billion of trade per year. At the same time, it emerged as the largest investor of foreign capital in India.

Despite, United States being the India's largest trading partner, this did not mean that India was equally important for U.S.A. In fact, India accounted for only less than 1 per cent of the USA's trade. Under this unequal partnership, the USA could impose terms on India while ignoring India's terms easily.

India's entry into the "family of free market democracy" was welcomed by the United States. This was done not because of India's ideological orientation but because of the former's economic potential. Thus, there had been definite improvement in the level of economic cooperation since 1991, but it would be
wrong to concentrate only on the positive aspects of cooperation. The irritants also continued to from time to time between the two countries. The United States still remembered, India as a close ally of the USSR in Cold War days and the economic reforms were the result of certain compulsions. In sum, the frequent imposition of anti-dumping and countervailing duties, section 301 of the omnibus Trade and Competitiveness Act of 1988, social clauses, human rights and environmental issues had been some of the other impediments in the way of healthy Indo-US Economic Relations.
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