Chapter 5

Conclusion
Indo-US diplomacy in trade and investment has been characterized by a shift from divergence in the 1980s to convergence in the 1990s. The economic diplomacy between the two countries operated in a political atmosphere, where more often than not both India and the United States found themselves aligned opposite to each other. This was especially the case in the eighties when India was perceived by the US as ‘non-aligned’ on the side of the Soviet Union. The challenge of the diplomacy was not to allow these political divergences to affect commercial ties.

Another, impediment that the diplomacy had to address was the symmetric character of the relationship. It has been explained earlier that while the United States was the largest trading partner of India, India’s share of the US trade was miniscule. The challenge to Indian diplomacy in this regard was not only to increase the bilateral commerce with the United States, but also to deal a situation where India’s trade is not of much consequence to the United States. It finds expression in the political power & economic power as well.

The asymmetric character does not find expression only in the realm of trade, but also in the overall relationship. The United States is a superpower while India is a developing country. The thesis had attempted in the previous chapter to portray that though the relationship between India and the United States had been one-sided and weighed in favour of the United States, Indian diplomacy was
successful in dealing with this mismatch by all respects and safeguarding the national interest of India.

The national interest of India in the sphere of trade and investment had been best encapsulated in India's policy towards trade and investment in general. India's policy in trade and investment in the eighties had been characterized by 'self-reliance' and 'import-substitution'. However, India did realize the importance of exports for development. To some extent, India's investment policy also envisaged role for foreign investments. It wanted foreign investment to bring with it the technology and managerial expertise. This policy, however, changed in 1991, and India felt that its economic interests would be best served in increased commerce and increased inflow of foreign capital, in the form of foreign investments.

In the 1980s, India's diplomacy had been to pursue India's economic interests by removing barriers to India's exports and facilitate increasing exports. This has been discussed in the chapter on trade, where the problems faced by challenges to the Indian diplomacy had been dealt in detail. India had to contend with an aggressive US attitude to commerce, even with regard to an inconsequential trading partner like India. Right through the period of study, India was faced with trade barriers from the United States. One of the most potential barriers employed against Indian goods had been non-trade barriers. The most common form that it had taken was the countervailing duties, anti-dumping duties, health hazards,
labeling requirements, packaging standards etc. Some of the major items of Indian exports affected by such barriers were industrial fasteners, shrimps, rayon shirts, cotton and leather garments. India was successful in appealing against such barriers, but has remained as an irritant in the commercial relationship.

India also had to create an atmosphere where, Indian goods could be exported. Towards this end, efforts were taken at both the political and official level. There had been regular contact between the officials and leaders of both the countries. The major problems were discussed in these talks.

An area where much of diplomatic energy had been spent was in the issue of transfer of technology. It was towards this end that India had even relaxed its investment regulations in the eighties. The diplomacy in these areas was compounded by the problem of different positions on the issue of non-proliferation. The US pursued a policy of non-proliferation and enacted laws regarding strict restrictions against those requiring strict restrictions against those countries with nuclear potential. India, on other hand found its national interest and liberty to pursue an independent policy being compromised by according to US imposition of inspections and safeguards. This problem was reflected in the Tarapur nuclear fuel issue. It took a lot of efforts and negotiations on the part of India and the US to put an end to the problem. The problem was solved mainly by political will
and a compromise was arrived at by allowing a third party, i.e., France to supply fuel to India.

The whole decade of the eighties witnessed an aggressive approach by the US towards India. This reached a peak with the passage of the US Omnibus Trade Act. The US objective had been to open up markets, strengthen the patent protection in India to prevent the piracy of American Intellectual Property, opening up the services sector mainly insurance and pharmaceuticals. US threatened sanctions against India and retaliatory action if did not change its policy.

India as earlier, started approaching it with a tough stand. India argued that the policies pursued by it were fair and was in the best interests of India. The solving this issue threatened to overshadow the progress in diplomacy in this regard.

While US was sympathetic to India's needs of high technology, the difference in nuclear issue was thorn in the diplomacy. The US followed a policy of non-transfer of dual-use technology to countries which were on the verge of nuclear threshold and which were close to the Soviet Union, its rival in the Cold War era. Both these aspects worked against India. However, credit must be given to Indian diplomacy in achieving the maximum that was possible under the circumstances. The diplomatic efforts in this regard were successful in creating a framework to periodically discuss the issue of transfer of
high technology by signing a Memorandum of Understanding and providing for its continuous review. The success of this was the purchase of the Supercomputer during the Prime Ministership of Rajiv Gandhi.

The liberalization of the Indian economy in 1991, led its increased diplomatic activity between the two countries. One of the major impacts of this was in the increasing frequency of official visits between the two countries. One finds that the objectives of Indian & American economic diplomacy moving towards convergence. By mid 1990s, they began to figure prominently in the diplomatic designs of each other regarding trade and investments.

Ron Brown’s ‘Commercial Diplomacy’ aimed at boosting American trade & investment began to concentrate more on the developing countries, identified as ‘Big Emerging Markets.’ India fitted into this design perfectly and the result could be seen in the increased diplomatic activity and the numbers of investment agreements during each visit.

A major step in the diplomacy between the two countries was the establishment of an institutional framework for regular interaction between the private sector of both the countries and also their interaction with the officials of the two countries. A single forum designed for this purpose was the creation of US-India Commercial Alliance (USICA). This clearly brings out how institutional framework
of interaction was affected by the diplomacy between the two countries. This institutional framework created in turn affected the conduct of diplomacy. In this case, the Alliance was designed to bring together the business representatives and the officials of the two countries. This framework shaped how diplomacy was conducted.

Similarly, from the Indian diplomacy viewpoint, the creation of Foreign Investment Promotion Board (FIPB) was a reflection of such a progress. An important aspect of the diplomatic relationship between the two countries was the role played by the heads of State. The Summit level meetings had been quite frequent considering the asymmetry of power relationship. From the diplomatic point of view they were also quite successful. While the meetings mainly create an atmosphere of cooperation, they also influenced the outcome on certain issues due to political will displayed by the leadership on both sides. Examples of such outcomes are the nuclear fuel issue resolved in the meeting between Prime Minister Indira Gandhi and President Reagan's meeting. The Summit meeting between Prime Minister Rajiv Gandhi and President Reagan, an understanding was reached on supercomputers.

The multilateral dimension of Indo-US diplomacy was significant in that it brought out the position of India and the United States clearly. Further, the diplomacy in the Uruguay Round of trade negotiations had a bearing on bilateral relationship. The fact that Indian diplomacy had served the best interests of nation is attested by
the fact that India, along with Brazil, was in the forefront of opposing the various measures pushed through by the US; India’s largest trading partner and investor. The US’ aggressive diplomacy towards India was a result of the activities in the Uruguay Round of Negotiations. Further, when India felt it had been given a bad deal by the US, it did not hesitate to take it to task. This is reflected in the cases, especially those relating to patenting of indigenous knowledge by the US companies.

Thus, we find that India’s diplomacy in trade & investment towards the United States was characterized by a movement from a position of confrontation to a position of accommodating mutual interests. The US diplomatic approach was unilateral and aggressive in nature reflecting the role of power in diplomatic relationship. Though, on the wrong end of the power spectrum, in respect to the United States, the diplomacy was successful in safeguarding its interests.