In spite of several differences and divergent policies and strain in their political and strategic relations, the Indo-United States economic relations are steadily increasing. The financial conditions of India and United States in 1990’s and liberal economic policies of India boosted relations in economic field. In early 1990’s and 91’s the Indian economy is in a poor conditions. Foreign exchange reserves are sufficient only for six weeks imports. In such a condition the new Government under Narasimha Rao took the reins of administration. It has focussed its attention primarily to improve economic conditions of the country.
Attempts to liberalize the Indian economy go back to 1985, but the scope was too limited then to make them perceptible. Economic reforms was taken up in right earnest only in 1991-by the Government of P.V. Narasimha Rao. By this time the idea of reforming the economy was much more acceptable to the country because of the total failure of the centrally planned economics elsewhere in the world. More important, the Indian economy too was in the midst of a balance of payments crisis. International Financial Institutions like the World Bank and the International Monetary Fund (IMF) said that any help that they might extend in bailing out the economy would be conditional upon Indias agreeing to liberalize its economy.

The United States strongly supported India’s case for financial assistance. It welcomed liberalization, seeing that India had done away with the restriction on equity participation of more than 40 percent and the provision requiring the use of locally available material, as well as quantitative restrictions on imports and exports of course, it wanted India to liberalize much more than it had done.

At least, some people in the United States recommended that India liberalize at one go. Without, however expressing, in so many Words India has been following the strategy of liberalizing in two sequential phases. It wants first to abolish licensing and expose
industry to domestic competition and then to go on to expose industry to International competition. \textsuperscript{1}

As part of the liberalization process India has given up its strategy of import substitution in favour of export-led growth. It has opened the door to Foreign investment out of the forty two projects in the power sector, the American have shown interest in the nineteen. This is evident that United States is interested to invest not only in the production of consumer goods but also in other key sectors.

It is true that the American economy is suffering from problems relating to trade deficit and interest payment and that in the eighties it had lost its hegemony to Western Europe and Japan in the international market. According to United States Commerce Department Report, its trade deficit in 1992 was $843,000 million, nearly 29 percent higher than it had been in 1991. The United States hoped that expansion of exports would make great difference to the situation. American imports from China and Japan greatly exceeded American exports to those countries. But it is also true that the United States is the largest economy today, probably the most energetic.

It is against this background that India is now important for the United States. Though poor, India has an expanding middle class, offering a market for United States
exports. The United States is India’s largest trading partner and its most important source of technology and investment. Its support for economic assistance to India from international financial institutions is crucial. In 1992, India had a surplus of $1.5 billion in its bilateral trade with the United States (which totalled $5.7 billion). Thus there is clear area of mutual interest that needs to be protected and developed.

India taking necessary steps to develop closer economic ties with the United States so as to do better for itself. India needs Foreign investment to bring in suitable technology that can be absorbed and adopted to local conditions. India also needs Foreign investment to augment its exports and improve its balance of payments. Indo-United States ties are so crucial for the success of the economic policy reforms under-taken by India.2

Indo-United States Trade and Investment:

The United States is India’s largest trading partner, accounting for 18% of the country’s exports and 12% of its imports. Thus, the United States plays a predominant role in India’s trade. On the other hand, India accounts for 0.6% of United States of America’s total exports and imports.

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TABLE - I

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Bilateral Trade</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>2.252</td>
<td>1.544</td>
<td>3.796</td>
<td>(+) 0.708</td>
</tr>
<tr>
<td>1988-89</td>
<td>2.574</td>
<td>2.237</td>
<td>4.811</td>
<td>(+) 0.337</td>
</tr>
<tr>
<td>1989-90</td>
<td>2.687</td>
<td>2.559</td>
<td>5.246</td>
<td>(+) 0.128</td>
</tr>
<tr>
<td>1990-91</td>
<td>2.673</td>
<td>2.923</td>
<td>5.596</td>
<td>(-) 0.250</td>
</tr>
<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>3.981</td>
<td>2.719</td>
<td>6.700</td>
<td>(+) 1.262</td>
</tr>
</tbody>
</table>

Source : Foreign Affairs Record.

The major items of India's exports to the United States are textiles and apparels, diamonds, jewelry and precious stones, shrimps and prawns, cashew nuts, handicrafts, naptha, dyestuffs, autotyres etc. The major items imported from the United States include fertilisers, aircraft's, turbo jets, aircraft's parts, machinery parts, malt extracts, soyabean oil, automatic data processing machines, electronic goods, wood pulp, parts of railway locomotives etc.

TABLE II

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment approved in (US$ million)</th>
<th>Percentage of total investment approved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>with US</td>
<td>With all Countries</td>
</tr>
<tr>
<td></td>
<td>(US $ ml) (Rs.ml)</td>
<td>(US $ ml) (Rs.ml)</td>
</tr>
<tr>
<td>1991</td>
<td>81.91 1958.5</td>
<td>235.40 5341.1</td>
</tr>
<tr>
<td>1992</td>
<td>438.69 12315.0</td>
<td>1384.65 38875.4</td>
</tr>
<tr>
<td>1993</td>
<td>1114.11 34618.8</td>
<td>2851.13 88593.3</td>
</tr>
<tr>
<td>1994</td>
<td>637.48 19998.3</td>
<td>3781.66 118634.6</td>
</tr>
</tbody>
</table>

(UptoNovember)

Source : Foreign Affairs Record.
includes 21 proposals from GDR involving investment of Rs. 49464.88 million.

The first table shows that balance of trade is in favour of India, except during 1990-91. The exports to United States and imports from United States are increased in a well balanced manner. The second table shows that nearly 35 to 40% of Foreign investment flowing in to India is from the United States. This was a healthy development in Indo-United States' trade and investment relations. Foreign collaborations with United States companies is also increasing from year to year. The Foreign collaboration investments have been dominated by the fuel, financial and non-financial services and electrical equipment sector. Other sectors are food processing industry, metallurgical industries, chemicals, industrial machinery etc.

The trade policy of United States has been a subject of bitter controversy between two countries. The trade deficit of the United States rose continually in the 1980's and peaked in 1987. This gave room for strong feeling in the United States that the deficit was the result of resort of unfair practices by its trading partners. It felt that while it permitted every country to have free access to its markets, its own investments and exports were being subjected to unfair restrictions. This in turn resulted in increasing demand for protection Congress, which
is close to sentiments at the gross-root level, supported this demand and administration had taken measures to protect the investors. It has kept some trading partners under "priority Foreign countries under special 301 provisions of thy Trade Act of 1974.  

SUPER 301

As well known, the United States is one of the most important trading partners of India and we want to further increase our exports to that country. But unfortunately, the United States is threatening to adopt a tough trade policy towards developing countries from time to time. The framework of this trade policy is section 301 of the United States trade Act of 1974. Section 301 of the United States Trade Act 1974 has the potential of curbing or restricting India's exports to the United States on the pretext of lack of protection given to the intellectual property rights in this country.

At the BATT meetings, which started in 1986 at Puntadel Este, the United States succeeded in including Trade-related Intellectual Property (TRIP's), Trade related investment measures (TRIMS) and services as area of negotiation. The developing countries like India and Brazil strongly opposed United States measures. Hence, the United States has taken the decision to put the India and Brazil under Super 301 section.
The United States is very much concerned with the high tariffs, import licensing system, restrictions on Government procurement's, poor protection of intellectual property rights, barriers to Foreign investment and counter trade. It wants removal of 49 percent limit of Foreign investment in the equity of Indian companies, and also removal of export commitments and obligations to indigenize production as condition for Foreign investment. Another important area of concern for United States is that India should change its patents Act of 1970, in line with the Paris Convention for the protection of intellectual property rights. The United States is of view that India's patent protection is weak and has adversely affected United States drugs and pharmaceutical industry.

United States consistently demanding for the protection of Intellectual Property Rights. Intellectual Property Rights means that an innovator or developer of a product or a process can take patent so as to have the unfettered rights to enjoy the fruits of his labour for a specific period. The United States proposal intends to give absolute right to patent holders for 20 years to work their patents. In most of the field the patent will be for product and not for the process. This placed a very crucial hurdle for India in exploring alternative technological routes to produce the same product. Various drug manufacturers make drugs for which United States companies
hold patents without paying adequate royalties. Under this super 301 provisions, the United States wants hefty fees paid. It increases the rates of drugs and pharmaceutical prices. The patent Act of 1970 has definitely helped the Indian Pharmaceutical industry develop, kept prices low and brought life saving drugs to country quicker than they would otherwise have.

The United States administration withdrew tariff concessions, India once enjoyed under the Generalised System of Preferences (GSP) in pharmaceutical and chemical exports to the United States. When India is trying to gain a larger share of the all important United States garment market, United States taken this decision to keep India under super 301. Textile exports may now be affected by punitive measures. India needs to import bio-technology to increase agricultural yields, if wheat and rice productions are to keep up with population growth. These imports endangered under this provision.

The Uruguay round negotiations came to an end by the end of December 1993. The negotiations ended with the decision to create World Trade Organisation (WTO), which came into force from 1 January 1995. Many differences between the developing and developed countries have been reduced. As India and United States are the parties to agreement, they wanted to develop their economic ties under the provisions of Uruguay round negotiations. As a
consequence India made efforts to ease its patent law. To this effect the president promulgated an ordinance on 31 December 1994. With this the United States receded its threat of trade action against India. From 1995 the Indo-United States trade increasing year to year.

Indo-United States Textile Agreement for 1992:

Following negotiations between representatives of the Government of India and United States, an understanding was reached on the access levels for export of textile and clothing products in the United States market for 1992. The agreement provides for substantial increase in quotas for India's textile exports to the United States of America and flexibilities for utilisation of quotas as compared to the 1991 quotas. Though the agreement is for a period of one year from 1st January 1992 to 31st December 1992, it has provision for extension by another year subject to the conditions in which Multi Fiber Agreement (MFA) may get extended beyond 31st December, 1992.

The major improvements in the agreement for 1992 are as follows:

1. A swing of 10% of the Group II levels into Group II from the specific limits in Group I has been incorporated.
2. For products covered in Group II, if any new restraints are introduced through consultation mechanism, the minimum level at which restraints can be introduced would be annual exports in the past plus 20%. In the current agreement such uplift is allowed only by 15.5%.

3. Restraint levels in cotton products and man made fibre products have been merged together for the following items. Jackets, Gents Shirts and Skirts. The merged category will be in Group I. In the case of category 340/640 the combined category will have a growth rate of 5%.

4. Categories 641 (man-made fibre blouses) and 647/648 (man-made fibre trousers) have been shifted from Group II to Group I.

5. The levels for made-ups including handlooms made-ups under category 369 have been significantly increased.

6. The specific limits on categories 237 (play suits) 338/339 (cotton T. shirts), 351/651 (Pyjamas) and nightwears) 359(c) 659(c) (coveralls and over alls) and 300/301 (yarn) have been withdrawn. All these categories will now be under Group II without any specific limits.

7. The carry over and carry forward facilities available to Group II limit has been increased from 5% each to 11% carry over and 6% carry forward.

8. Special shifts of quantities among various categories have been provided as follows. 10% between all fabric specific limits except into category 219; 5% of the
specific limit in category 341 (cotton blouses) can be shifted from category 641 (man-made fibre blouses); 20% of the limit in category 641 (man-made blouses) can be shifted from category 341 (cotton blouses). (This facility has been made effective from 1991 so that the embargo that has been declared by United States authorities on category 641 can be lifted immediately), 10% of the levels can be shifted from categories 347/348 and 647/648; and new specific limit has been shifted from Group II to Group I. This category will have a ground rate of 7%.

With the shifting of categories 635, 640, 641, 642, 647/648 and 345 from Group II to Group I, there will be considerable room for expansion of exports against the new Group II limit. The Group II limit has been marginally reduced and fixed at 110 MSMEs.

As a result of these changes, there will be a significant increase in the exports to United States market during 1992.

JOINT MEETING OF INDO-UNITED STATES SUB-COMMISSION ON EDUCATION AND CULTURE (OR) INFORMATION 2000+

A joint meeting of the Indo-United States subcommission on education and culture was held at the Indian Council for Cultural Relations, in New Delhi, from 3-5
February 1992. The activities of the sub-commission have covered specific programmes in media, the arts, museum exchanges, education and sports. After a review of its various activities, the sub-commission agreed to build upon the programmes of the past 18 years by focussing its activities in the coming 2-3 years on a major series of programmes entitled "Information 2000+".

The objective under the umbrella of "Information 2000+" is to cover thrusts in the area of information technology, and its adaptations to the arts, to science, to media, education, and sports. "Information 2000+" is designed to bring together the latest developments in the area of technology and its humanistic application in a wide spectrum of disciplines.

The focus of "Information 2000+" will address to issues relating to the following

1. Educational Technology: Where communication satellites would be used for instructional programmes in rural areas and for distance education.

2. Information and Technology: Where the activities would assess the new values of knowledge and information.

3. Programme for shortage, retrieval and the dissemination of information in libraries, museums, archives etc.

4. Literacy Technology programme.

5. Copy Right law and the protection of intellectual property.

7. Radio

8. Collaborative programmes between major newspapers in India and the United States including in the area of Science Writing.

9. Sports: Where advanced technology would be used in the study and enhancement of athletic performances, movement, performance and behaviour as part of an inter-disciplinary approach to the study of sports.

10. Technology and the Arts: At the meeting, Indian side also announced the considerable liberation in the process of granting visas to American Students coming to India for research. Under the Indo-American Fellowship programme and others, all Students coming for research on non-controversial subjects will be granted visas within two weeks. The American participants welcomed this as a positive development.

The American sub commission Chairman Mr. Charles Biltzor emphasized the activities of the sub-commission served to strengthen the bonds between the world's two largest democracies. (The Indian side was represented by Ram Nivas Mirdha).

RAO'S BUSINESS TRIP TO UNITED STATES:

The Prime Minister P.V. Narasimha Rao's official visit to United States in May 1994 is more a business trip
than to political one. During his visit, India took up in a big way the issue of increasing the value of trade and investment. For this purpose Rao met three different groups including the main India Interest Group headed by General Electric, in addition to meeting the Chief Executive officers of Enron, General Electric and General Motors among others. He also made use of the opportunity to hold discussions with the managing Director of IMF and the President of the World Bank. Mr. Rao's general message to them was that the reform programme in India would continue without interruption because it was based on broad agreement, it would be durable and irreversible. Addressing the gathering of NRI's at a reception hosted by the Indian Consular General Mr. Gajanan Wakankar, Mr. Rao invited then to "Play a role in this great Yagna that is taking place in India". "We have done in three years what many countries must have taken decades to build up. The mood is there, the potential is there, but the catalytic role of the Government was needed, which we supplied role of the Government was needed, which we supplied and you see the results" he said.

Mr. Rao's description of highlights of ongoing economic reform process in India was very impressive. Recounting how after decades of decentralised economic policies India embarked on a reform programme Mr. Rao said The momentum of these reforms will carry India in to the next century as the single largest free market in the world.
The Prime Minister pointed to the smoothness of the transition from a closed, protected economy to an open, export oriented economy as perhaps the most impressive aspect of the programme. Even as farreaching changes were undertaken, prompt and effective steps were devised to obviate the severe social consequence which could have threatened future reform. Rao and his Finance Minister Manmohan Singh were able to convince American Business giants that the time was ripe for a substantial investment in India. India and United States sign six memorandums of understanding (MOU) relating to cooperation on a variety of issues. The following are some of the agreements reached between India and the United States on matters relating to business and commerce.

1. The two countries decided to revive the Indo-United States Commission of 1974 beginning with the revival of the sub-committee on trade and economy.

2. Decisions has taken to establish regular Foreign office consultation at various levels.


4. The two countries decided for setting up an eminent persons group, and encourage the setting up of an Indo-United States partnership initiative.

Infact, whatever may be the importance of Mr. Rao's visit from the American point of view, for India its economic significance is the most important consideration.
The United States of America continues to be the most important single investor and more than half of our trade is with the United States of America.

MARKET ACCESS AGREEMENT BETWEEN UNITED STATES OF AMERICA AND INDIA:

India has signed Market Access agreement with United States of America on 31st December 1994, bringing to a satisfactory conclusion the market access consultations in textile, which had been in progress for some time. The discussion were held with a view to facilitate trade in textile products between India and United States of America. The agreement which came into force prior to the establishment of the WTO and the beginning of the count down for the dismantling of the Multi Fibre Agreement (MFA) provide very significant additional market access in United States markets, for Indian textile products. In particular, the agreement expected to provide a fillip to handloom and powerloom production and exports, which are of high priority, because of their direct linkage with employment generation. The agreement also signify the resolve of the partners to expand their trade and economic relations in a mutually beneficial manner.

SALIENT FEATURES OF THE AGREEMENT:

The agreement with the United States of America has resulted in the following.
a. The current specific limit on category 369-0 comprising other cotton made ups, has been removed. This will amount removal of restraints on 20% of the total quotas in the United States of America as this category accounts for 20% of our total quotas. This category is used predominantly for the export of handloom made ups and will provide a considerable additional incentive for handloom exports.

b. The base level of category 342/642 (ladies skirts), for which India is the largest supplier to the United States of America has been increased by 5%. In addition a special swing of 10% from any specific limit or the Group II limit has been allowed in this category. It has also been provided with 13% special carry forward for three consecutive years beginning in 1995. In addition, 10% special carry forward will be provided for three consecutive years beginning in 1988.

c. The base levels for categories 218 (yarm dyed fabrics) 219 (duck fabrics) 313 (cotton sheeting) & 347/348 (trousers, slacks and shorts) have been increased by 5%.

d. Category 363 (terry towels) which is primarily a powerloom product did not have the facility of invoking any swing so far. Thus though this category is being utilised fully and there is a great demand for additional quotas, the possibility of borrowing from other quotas hitherto did not exist. The United States
of America has now agreed to provide 5% swing into category 363, from any other category, which effectively ensures 5% additional quotas for this product.

e. The swing into categories 335/635 (women's and girl's coats) and 340/640 (men's shirts) have been increased to 7%.

f. Upon elimination of the specific limit on category 369-0, the United States of America has agreed to provide swing into group II up to 15%, providing a corresponding reduction in SME's in one or more specific limits in group I is made. In addition, special swing of 5% shall be available into the group II limit calculated on the base level of group II from category 369-S (shop towels) and 369-D (dish towels) only, provided a corresponding reduction in square meters equivalent in category 369-D and 369-S is made. The 5% special swing from categories 369-S and 369-D into Group II shall be one way only. The maximum swing and special swing to categories 369-D and 369-S shall remain at 7%.

g. The base level of group II which comprises more than 80 different categories of yarns, fabrics, made-ups and apprels, has been increased to 84 million square metres equivalent. This increased will help made-ups and garment exports from the handloom and powerloom sectors in particular.
h. Additional 5% quotas have been given in categories 334/634 (men's and boy's coats) 351/651 (Pyjamas and nightwear) for 100% cotton garments made of handloom fabrics.

i. A 10% special shift has been provided between categories 369-S and 369-D.

j. The special shift into category 313 (cotton sheeting) has been increased to 10%.

k. A special carry forward of 10% has been provided for category 218 for 1994 only.

l. All outstanding issues relating to the exports of ‘ghagras’ have been resolved.¹⁰

Indian textile exports account for around 30% of the country’s total exports. Textile exports has been one of the most dynamic sectors of our economy and it has shown a steady growth during the past several years. With the signing of the agreement India has been assured of significantly higher access to the market of its most important trading partner.

Visit of United States Commerce Secretary to India:

After Indian Prime Minister Rao’s visit to United States, the exchange of trade representatives between two countries increased. In November, 1994 Mr. Jeffrey Garten, under Secretary in the United States Department of Commerce, had come to India to prepare for the Presidential
Business Development Mission led by Mr. Brown. The United States Secretary of Commerce Mr. Ronald H. Brown visit of India in January 1995 is the most important visit in boosting Indo-United States economic relations. His visit has been categorised by the United States Government as a 'Presidential Business Development Mission. Accompanying the United States Commerce secretary was the 34-member high level delegation representing Chief Executive Officers and Presidents of several leading United States companies as well as senior officials of the United States Government involved in international trade and finance. The Chief Executive Officers include the representatives of various infrastructure sectors like power, aviation and telecommunication and also sectors of financial services, food processing etc.

MOU on Indo-United States Commercial Alliance Signed:

India and the United States have agreed to set up the United States-India commercial alliance to provide a framework for increased interaction between the private sector enterprise of both countries for expanding business relations. The memorandum of understanding (MOU) for setting up of this alliance was signed in New Delhi on January 16, 1995 by visiting United States Commerce Secretary Mr. Ronald Brown and the Commerce Minister Shri Pranab Mukherjee. This alliance is a positive manifestation in the correction of imbalances in the economy, increase in
the economic growth rate and quantum jump in exports and 
Foreign investment. The activities of the alliance will 
centre around developing business-to-business links in 
specific sectors which may include information technology, 
transportation infrastructure, food processing and packaging 
and power. These business alliances will implement trade or 
business development and promotion programmes including 
trade meetings, conferences, seminars etc. They will adopt 
sectoral or project oriented approaches to the expansion of 
business opportunities and take any other action for the 
achievement of their goals subject to United States and 
Indian alliance. The Business alliance will report their 
activities to the Board of Alliance which will represent a 
balanced number of businessmen from India and United States 
and the Board in turn will report to the two Governments. 
This will provide the private sector of both countries with 
additional channels to communicate with officials of both 
the Governments. This alliance is expected to start 
yielding results with in 90 days of its formation. This 
alliance has been constituted for a period of 2 years for 
the present, subject to review there after.11

The other highlights of the visit are

1. Investment proposed in power utilities and ash-handling 
systems.

2. An agreement to continue the construction and operation 
of a 1000 MW COGENTRIX Inc, at Mangalore, valued at 
$1.4 billion.
3. 10 agreements for $2 billion investment in power and telecommunications sectors was signed.


5. Another contract worth of $2.6 billion is signed between Indian and United States firms for the opening up the financial and insurance sectors. The main purpose of opening up the financial sector is to encourage capital formation and greater flow of Foreign direct investment.

6. Air India exchanged documents with Boeing Company, for the purchase of two 747-400 aircraft’s, valued at $330 millions. 

Mr. Brown also interacted with Indian entrepreneurs. It is expected that the visit of Mr. Brown will give further fillip to expanding Indo-United States Commercial ties.

During the last few years, Indo-United States Commercial relationship has shown a new dynamism with bilateral trade and investment flows showing a quantum increase. United States share of Indian exports is 18% and share of imports is about 12%. Interms of Foreign direct investment, United States of America has emerged as a leading country interms of both commitments and actual inflows. During 1992 and 1993, investment approvals to
United States of America amounted to more than US $1.3 billion and $2.8 billion. We can hope that in future the Indo-United States commercial ties increase and will provide good understanding between two countries.
REFERENCES


4. Sunday Magazine “Collission Course: Relations between India and the United States plummet over a series of controversies” p. 27 to 29.


