

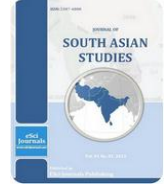


Available Online at ESci Journals

# Journal of South Asian Studies

ISSN: 2307-4000 (Online), 2308-7846 (Print)

<http://www.escijournals.net/JSAS>



## INDO-USAECONOMIC AND TECHNOLOGICAL COOPERATION: THE POST COLD-WAR SCENARIO (1991-2006)

Debasish Nandy\*

*Department of Political Science, Kanchrapara College (University of Kalyani), Kanchrapara, West Bengal, India.*

### ABSTRACT

India and the United States of America are two major democracies in the present world order. With the changes of international political scenario, both have changed their diplomatic orientation to each other. During the Cold War period Washington and New Delhi had different stand point on international politics. Economic perceptions of India and the United States were so different during the first forty-five years of the post-Second world war period. After independence, India had adopted a policy of 'mixed economy' with an expectation of receiving foreign aid and investment from both USA and Soviet Union. .Being a capitalist country USA was not interested for making close economic and technological ties with India. So, India was bound to tilt towards Soviet Union. There were some differences between the USA and India like 'Kashmir issue', 'issue of non alignment' and 'perception of world politics. India denied the US offer not to join in NATO and other military alliances. It was also responsible for Indo-US negative economic and Technological relations. Disintegration of Soviet Union had brought an opportunity to each other for fostering their relationship. Successor state of Soviet Union is known as Russia. With a new identity Russia was a weakened state from every respect. India had no further option except the USA. India had to shaken hand with the USA and opened its market for the USA. Since early 1990s several USA MNC's had started a huge amount of investment in various sectors. In reply India has also been started export to the USA. Actually economic and technological interests have made a viable and potential partnership between the both. Indian It experts have good demand in the USA .In space and military technology sectors both countries are working jointly. It is a notable point regarding economic and technological cooperation a so called north- south controversy has been reduced. The focal issue of this paper is Indo-US bilateral economic and technological relations in the post Cold-War period. This paper would try to critically analyze the process of evolution and consolidation of economic and technological ties between India and the United States.

**Keywords:** Globalization, Indo-USA trade Market economy, Investment, Liberal, Multinationals, Partnership, Power, Technology, Universalization.

### INTRODUCTION

This paper will discuss the Economic issues in the relations between India and the United States of America (USA) in the post Cold War period. The end of the Cold War and disintegration of the Soviet Union had made an opportunity to India to be closed to the USA. India received a huge amount of foreign aid from Soviet Union. After the demise of Soviet Union Russia became a successor state of Soviet Union with a crippled economic structure and other uncertainties. Indian foreign policy makers were tensed about the USA; because India experts

already realized that USA is the one and only super power in the post Cold War period. New Delhi was bound to change its previous stand point and perception towards the Washington India agreed to increase economic co-operation with the USA due to its national interests. In 1991 Congress led coalition government was formed in India under the prime Ministership of P.V Narashima Rao. Then the finance minister Dr. Manmohan Singh, a notable economist took an initiative for adopting a liberal economic policy and decided to open its market. Actually, convergence of diplomatic and economic interests had brought an opportunity for both countries to make close relations in economic and technological fields. Then, economically backward India had required a huge

\* Corresponding Author:

Email ID: [debasishnandy.kc@gmail.com](mailto:debasishnandy.kc@gmail.com)

© 2015 ESci Journals Publishing. All rights reserved.

amount of money for its structural developments and economic resurgence. On the other hand, USA had required a big market. This is why both countries came in close to each other. In the aftermath of the end of the Cold War, the USA is remained the sole superpower. According to historians like Hobsbawm, the year 1991 marked the end of the 20th Century and the beginning of the 21st century. For Fukuyama, it signified "end of history" and marked the universalization of capitalist market economy, liberal enterprise and democratic policy.

The post-1991 years progressively unfolded significant trends in international relations that might provide propitious circumstances for closer relations between the USA and India (Pathak, 2001). The new context necessitates rethinking and recasting of their relations. India's potential can easily be gauged. As the seventh biggest state, India holds 16% of world population. It has the fourth biggest army and the third largest pool of scientists. Her well established and vibrant democracy has survived for the last 63 years. It has witnessed the emergence of a fairly sizeable middle - class numbering at least 150 million and providing a big market.

#### **PROBLEMS UNDER INVESTIGATION**

It is very difficult to write a research paper on Indo-USA relations. From the very beginning New Delhi-Washington relations have gone through many ups and downs. With the changes the nature of international political scenario and national interests of both, nature of bilateral relations has also been changed. Primary sources of Indo-USA economic relations are strongly reserved by the both countries. So collections of documents are a major problem in this regard. Role of China and Pakistan is a problematic factor in Indo-USA economic and technological relations. Beijing and Islamabad related diplomatic and strategic issues often influence on New Delhi- Washington economic and technological relations from the very beginning. However, Quick changes in bilateral economic and technological relations is also depends on the process of globalizations. Internal external pressure is continuously changing the orientations of these relations. So, it is a complex job to write a paper on this.

#### **RESEARCH METHODOLOGY**

In this present paper, the following research methodologies have been used: Content analysis Method, Interview Method, Observation Method, and Use of Library.

#### **HYPOTHESES**

There are three hypotheses in my current research paper, which are as follows:

- In post Cold War period Indo-USA economic and technological relations has been strong due to the disintegration of erstwhile Soviet Union.
- India was bound to adopt an open market economy for its own interest and make opportunity to USA companies.
- India's big market, sizable number of middle class, potential human resources etc.were a provocation to the USA.

#### **INDO-USA ECONOMIC AND TECHNOLOGICAL RELATIONS IN EARLY 1990S**

Indo-US relations can be classified under three broad headings, each signifying different areas especially in economic and trading area. In the view of USA, India is in the midst of a major and rapid economic expansion with an economy projected soon to be the world's third largest. Though there is widespread and serious poverty in India, the USA Government believes that the long term economic potential of India is tremendous, and the recent strides in the technology sector have brought international attention to such new global high-tech Centers as Bangalore and Hyderabad. Although in the post Cold War era, American interests in the South Asia were complex and diversified, for most of the 1990s. USA relations with India were focused mainly on market economy. The 1992 liberalization of Indian economy under the Narashima Rao Government brought into India a host of American multinationals. The Indian government directly approached some of the top USA business houses for investing in the country. The USA replying to Indian governmental invitation, showed interests in investment. Washington was investing in the core sectors of the economy like hydrocarbons, power, electronics, computers and development of natural resources. The American investments and economic interactions had been on an ascending curve (Pathak, 2001). Both the countries considered illegal trafficking in narcotics as a serious international problem and pledged to attack it at all levels. They had also signed a bilateral extradition treaty.

Economic Reforms introduced since 1991 radically changed the course of Indian economy and led to better growth rates, higher investment and trade flows and accelerated decline in income poverty. The effects of these reforms on trade and investment relations with

the United States had been profound (Economy Watch). There was no doubt that India's liberal economic policy and its vast market evoked American interests. There was perfect convergence between the USA need of Indian market and India's dependence on the USA to accelerate the pace of its economic growth.

The Task Force believes that USA interest would be better served by helping both India and Pakistan to develop a "normal" bilateral relationship with one another. The United States and contact between India and the USA in a wide variety of trade area (USA Task Force Report). After the decline of USA development aid in the 1970's, America's economic engagement with India was relatively limited during the next two decades. In 1990, the year before India launched its reforms, USA Private Sector investment in India was a minuscule US\$ 19 million. The removal of many - but far from all administrative restrictions on foreign investment spurred a major increase. Investment by USA companies rose to US\$ 500 million a year by the mid 1990s but has since declined (Wishner II, 2003) globally; India currently receives about US\$3.5 billion a year in Foreign Direct Investment (FDI). Though the Trade between the United States and India is relatively small, it has risen sharply over the years. In terms of India's major trading partner the USA continues to lead. However, India's share in USA trade is 24<sup>th</sup> in USA export and eighteenth in USA imports. The two countries had been trying hard to strengthen the institutional structure of their bilateral economic relations.

Signing of "India-USA Economic Dialogue" by Indian PM, A.B Vajpayee and USA President in 2003, aims at deepening the Indo-American partnership through regular dialogue and engagement (economy watch). India's sizable population and growing middle and higher income class makes India a potentially large market for USA good and services. The United States remains the largest source as well as the major provider of funds flowing through the financial markets, accounting for US\$ 7 billion of India's total US\$ 13 billion of portfolio investment. Although investment from abroad remains well below Indian expectations, foreign trade has grown steadily, Exports and imports rose from 13.3% of GDP in 1990-91 to 21.8% a decade later. India and the United States have come a long way since the early 1990's, when Washington threatened to impose sanctions in retaliation against New Delhi's restrictive trade policies. The policy challenge over the medium

term is to see that economic relations continue to expand.

After the end of the cold war, in the economic area USA had shown more understanding of India's enormous problems and poverty, especially in relation to trade policy questions (Kux, 1991). Expanded commercial and economic ties, however, lie largely in Indian hands. Unless the Indian government vigorously carries through with its reforms, genuinely modifying India's economic policies to open the country to the rest of the world and to give greater scope for market forces, US business is unlikely to show much greater interest in India than it has in the past.

The special 301 list has been published on April 26, 1991 by USA trade representative, Mr. Carla Hills. Under the 1988 USA trade Act, Mr. Hills was required to name countries which did not provide adequate openings for foreign competition while maintaining a trade surplus with the United States (Shirohi, 1991). The USA officials said that India seemed unwilling to make any changes in patent and copyright laws to protect foreign companies. India said it was unfortunate that the United States of America had decided to put India under special 301 provision of the trade act, which showed no progress. On the issue of intellectual property rights Indian Ministry of Commerce sources said, that India would react at the proper time because, "We don't know what the US is going to do after naming India under 301" (*The Hindustan Times*, 1991). However, in the early 1990s, India's restrictive trade policies, especially its unwillingness to protect intellectual property, led the United States to threaten relations under section 301 of the trade Agreements Acts. Since then, India had gradually opened its markets to the world in keeping with its obligations as a World Trade.

India and America have made attempts to know each other for quite some time. There had been sporadic, brief flashes of understanding, but nothing enduring enough to cut through the preponderant bulk of well - entrenched stereotypes. However, after taking the path of economic liberalization policy by India, various USA multinationals have invested here and made strong economic relations. Like Ford, GE, IBM and Bechtel among others, with the introduction of the second generation of economic reforms under the Vajpayee Government (NDA), USA investment in India is likely to increase. There is a kind of convergence of interest between India's need for technology and capital and the

US's search of markets.

But the story of Sixty-seven years of Washington-New Delhi relations is mixed of chilling bitterness and friendly accommodations. For the sake of economic interests both sides had to take a friendly approach to each other and shout in favor of globalization. Since the middle 1990's India has been able to establish itself as a potential power in terms of economic development and political activities. India now has the power to bargain with the USA.

The United States has provided support and encouragement for the process of liberalization, but it can and should step up its efforts in this area even further - by sharing relevant technical, administrative, and financial expertise, by working in conjunction with other national governments and international financial institutions; by working with representatives of state and local governments in India. However, in terms of trade, a relation between the USA and India in early 1990's was not bad. Before the end of the year 1992 India's fresh foreign investment were worth around US\$ 2.7 billion in its power sector. It will create nearly 4,000 MW of installed capacity which will be a big boost for the nation's industrial infrastructure. A team of government officials and private sector officials, led by the Union cabinet secretary, Mr. Naresh Chandra was on tour of the US to speak directly with potential American investors.

On November 26, 1991, the Bush administration announced that for the time being it was dropping the idea of retaliatory action against India in the dispute over Intellectual Property Rights (IPR) by formally extending ongoing investigation into the subject by another three months. US Trade Representative Carla A. Hills, reported "progress" in the investigation which began on May 26, 1991, a month after the administration had placed India on its "Special 301 priority list" along with China and Thailand for providing "inadequate" protection to American intellectual property. The list calls for relations against countries which the USA seen as excessively protective of their trade. November 26 was the deadline for taking action against India as the six month-long inquiry had ended without resolution of the USA complaint that India had failed to provide adequate protection to its Intellectual property Rights.

After the commencement of the USA investigation in May, a lot of exchanges had taken place between India and the USA to resolve the dispute. The Minister of State for Commerce, P. Chidambaram went to the USA in

October 1991 for talks with Mr. Hills who, in turn visited New Delhi for further consultations. The dispute between India and the USA was narrowed down to the absence of a provision in the Indian law for product patents in the pharmaceutical industry. The intellectual property rights have many ramifications -in protecting trademarks, design and copyright. The hardest is the drug and medicine sector. The Prime Minister Narasimha Rao's talks with President Bush in New York on 31 January, 1992, on Uruguay round of multilateral trade talks in Geneva. The two sides agreed that the differences on trade matters were narrowing down and were hopeful that the American and Indian delegations would be able to find a compromise. The time was ripe for a big push forward in Indo-USA relations because American thinking is forward looking and cautiously optimistic about India's political and economic future, and there is room for both sides to engage in confidence building measures (Kapur, 1991) The reasons for this optimism were many. In these days trends were in favour of warmer Indo-USA relations and cooler USA-Pakistan relationships. However, these no longer played on each other; the linkage of the Cold War, these days was over. It implies that India could be independent and still be closer to the USA in the post-Cold War scenario. Americans regarded India's economic crisis as a temporary phase. They accepted that the Indian economy was structurally stronger compared to cold war period and that, they appreciated the trend towards economic liberalization. India and the USA should, be better friends and stronger partners on economic issues. In a World of increasing globalization India's futures plainly are intertwined with the USA It still needs to be verified by future events and administration.

US Agricultural Secretary Edward Madigan, who had in February, 1992 rejected sales of one million tons of USA wheat to India under the Export Enhancement Programme (EEP) (*The Hindustan Times*,1992) The wheat purchase was one of the items on the agenda during India's food Secretary Mr. Tripathy's visit in Washington in early 1992. In February, of this year, New Delhi had again sought to purchase wheat under the EEP, but USA Agriculture Secretary Mr. Madigan adamantly turned down the idea on the ground that India had sold rice to Cuba. A Cuban rice deal was not in the picture at the time, but Mr. Madigan was apparently convinced that it was in the offing.

The USA Department of Agriculture (USDA) officials,

tenders were invited from 24 leading grain exporting companies registered with the USA. On the basis of the bids received export of 982, 750 metric tons of wheat to India has been approved. However, USA had granted an average subsidy of US\$ 33.45 per ton on the exports to India. The net export price for the last quarter of 1992 was US\$ 110.50 per metric ton. On the basis of F.O.B. Gulf ports for the succeeding price was US\$ 112.50 per metric ton, F.O.B. Gulf ports (*The Economics Time*, 1993) Post Cold period Indo-USA relations suffered setbacks due to some reasons which are as follows:

- USA attitude to give the loan to India was not positive. Because the USA has opposed India's application to the Asian Development Bank (ADB), for the Soft loan facility (The Statesman, 1992) while other donor countries such as Japan and Canada were sympathetic to India, the USA, another donor country, was against India getting the soft loan facility. For this reason India was primarily doubtful about USA's attitude and policy towards India.
- Another irritating issue was America's negative attitude towards 'Indian Space Research Organization' (ISRO). One wonders whether the black listing of the Indian Space Research Organization and the Russian Space Agency-Glavkosmos, with aim to pressurize Moscow to break its contact with New Delhi, for the supply of cryogenic engines, would have come if India bought American technology (*The Hindustan Times*, 1992). The USA was certainly trying to kill two birds with one stone. While in the case of India, American objective seemed to be to prevent it from achieving heavy load satellite launch capability and a consequent entry into the high protective world market. In case of Russia, Washington's action was like that after the end of cold war heralding a "trade war" now to keep it out of the international market of high technologies. Under the garb of the Missile Technology control Regime (MTCR), The USA had put a two year's ban on 'ISRO' and 'Glavkosmos' and its instigating the other countries signatories to impose sanctions against India and Russia.

The Chairman of the Indian space Research Organization (ISRO) Dr. U.R. Rao, Criticized the two year ban imposed by the USA on 'ISRO' as "a unilateral decision" which was arbitrary, unfair, unjustified and one which would not stand up to technical security (*The Hindu*, 1991). It was

obvious that it was commercial interest - said Mr. Rao. The USA Ambassador to India Mr. William Clark( Jr.) said, the USA Direct Investment (FDI) in India, had gone on record as saying that US businessman's view India as one of the "most promising" countries in the South Asian region. But the difference between rhetoric and reality appeared to be as wide as the gulf between civil rights and consumerism with a total two-way trade of over \$5 billion, the USA was India's biggest trading partner, with exports of Rs. 4,797 corers in the financial year 1990-91, the USA was India's biggest export market in both exports and imports from India. In 1990-91 it accounted for 14.1% of all Indian exports and 12.1% of the total Indian exports (*Hindustan Times*, 1991).

The dialogue with the United States was intensified and a series of continual talks between senior functionaries of the two sides marked the Narashimha Rao regimes, an attempt to explore a new relationship with the USA (Dutt, 2007). During the Narosimha Rao's period the bilateral trade relations between Washington and New Delhi started with new dimension due to accepting the liberal market economic policy by India. India had used its exchange rate to improve its competitiveness in the export sector. The rupee was tied to a basket of currencies with the dollar occupying a major share. However, the rupee was first made convertible on the trade account in 1993 and fully convertible on the current account on 20th August 1994. India's Central Bank, the Reserve Bank of India intervened in the exchange market to keep the rupee stable (Kapur and Malik, 2002). Since 1992 the government of India had eliminated the licensing system for imports of intermediate and capital goods. It had also reduced its import - weighted tariffs from 87%. As a member of World Trade Organization (WTO), India had no choice but to liberalize further and open its economy to foreign goods on schedule.

For these reasons the Indo-USA trade volume at US\$ 7.4 billion in 1994 could rise exponentially, this was behind by the USA Commerce Secretary Ronald Brown (Dutt, 2007). The USA was also pressing India to further open its markets for international trade. India was equally aware of economic and political compulsions for a sustained relationship with the while resisting its pressures where its own interests were concerned.

Indian-Americans have been high achievers in some important fields. There are approximately 300 Indian-American entrepreneurs with a personal net worth of at

least US\$ 5 million, many in the high - technology sector (Clark, 2000). Nearly 40% of startup companies in the Silicon Valley and Washington D.C are as owned by Indians or Indian Americans, and there are at least 774 Indo- American companies in Silicon Valley alone. These high technology entrepreneurs have their own networks, one of which, TLE (The Indo-USA Entrepreneurs), has 1000 members (www.tie.org). In other fields as well, Indian - Americans have moved quickly into important managerial and administrative positions.

Accepting President Clinton's invitation, Prime Minister Narasimha Rao paid an official week-long visit to the US in May 1994. This historic visit cleared much of the earlier misconceptions about American pressure and Indian capitulation and helped to reestablish Indo - US ties on a more vigorous footing. Significant gains of the visit were the signing of six MoU's. There was a shifting of four by low balling non-proliferation and high balling the economic issues. The visit expected to here an investment flow into India in the infrastructural sector. The US Commerce Department in a "White Paper" listed India as one of the top Big Emerging Markets (BEM) (Malhotra, 1995).

Improvement of relations between the USA and India were not that easy as many observers had felt. Some basic issues between the two countries still remain unresolved. The USA pressurized India to agree to certain things which were against latter's national interest and hence unacceptable. However, in the post-Cold War period the USA had followed a policy of tilting towards India rather than towards Pakistan. This policy was based on three assumptions: First, in the absence of the cold war, Pakistan's value as an ally decreased but India's importance increased due to economic factors (market economy). Second, in the Post-Cold War period, containment of Islamic fundamentalism would replace containment of communism as the chief objective of American foreign policy. Huntington's theory of "clash of civilizations" was an illustration of this type of thinking. Therefore, Pakistan, being a theocratic state, could not be regarded as a dependable ally by the USA in this clash. Some felt there might be a convergence of Indo-USA interest in relation to this objective (Kapur and Malik, 2002). Third, new liberal economic policy was taken by Indian Prime Minister Narasimha Rao and his finance Minister Manmohan Singh for free flow of investment. That is why; Washington was interested in

looking towards Indian big market. With the transformation of Indian economic policy since 1991, corporate America began to take seriously. USA two-way trade to India rose from US\$ 5.3 billion in 1990 to US\$ 8.5 billion in 1995 and to US\$ 12 billion in 1999 with US\$ 9.1 billion in imports and US\$ 3.7 billion in exports (Foreign Trade, 2001).

#### **INDO-USA ECONOMIC RAPPROCHEMENT DURING MID 1990S (UNITED FRONT GOVERNMENT)**

The United Front (UF) government, a coalition of 13 parties - remained in office from June 1996 to March 1998. During this brief period it was headed by two Prime Minister Dave Gouda and I.K Gujral in quick succession. The UF Government continued the earlier foreign policy with USA. The economic relations between the two countries were disturbed by India's refusal to join the CTBT. In 1996 the issue of joining the CTBT mostly dominated Indo-USA relations. The Clinton administration was not happy with India's attitude. But the Year 1997 saw an upswing in Indo-USA relations. The Clinton - Gujral Summit in New York was followed by the visit of the USA under - secretary of State for political affairs, Mr. Thomas Pickering to set the tone for a strategic dialogue along with economic issues. In November 1997, the USA Secretary of state Mr. Madeleine Alright visited India and made an agreement between the two countries on setting upon an Indo-USA science and technology forum. The Investment Incentive Agreement was also signed between the USA and India in 1997.

However, in the mid-1990s, the American multinationals have grown more and more, interested in India in the wake of these and other changes. The Indian government has pushed open the energy sector to foreign investment and a number of American companies - for example Enron, Cogentrix etc. have entered the market. In various sectors Indo-USA Joint ventures were seen during this time. This type of economic relational opened up possibilities that were not thinkable twenty years ago. This is for the first time that the prospect of a substantial economic relationship between Washington and New Delhi was visible.

While the size of the Indian middle-class-market, estimated to be anywhere between 100 million and 300 million, may be exaggerated, American firms understand the advantages of South Asia as a production site as well as a place to sell goods (Cohen, 2005). Today United States is India's second largest source of FDI (Foreign

Direct Investment) after Mauritius, accounting about 16% of total FDI flows to India from 1991 through July 2001. USA has 17.08% share in FDI inflows to India, Mauritius is at top with 34.49% and Japan comes 3rd with 7.33% share (Economy Watch).

On the investment front, the USA covers almost every sector in India, which is open for private participants. Both government to government level and business - to - business level conduct regular interactions with each other to promote and strengthen the trade and economic relations between two countries. The USA investor community is today increasingly sharing confidence with the future of the Indian economy. Several areas like infrastructure, IT, telecom sector, energy and other knowledge industries such as pharmaceuticals and biotechnology possess immense potential for progressing economic cooperation between India and the USA. The USA and congressional interests in India cover a wide spectrum of issues, ranging from the militarized dispute with Pakistan and weapons proliferation to concerns about regional security, terrorism, human rights, health, energy, and trade and investment opportunities (Kronsta, 2007). Throughout the 1990's, however, regional rivalries, separatist tendencies, and sectarian tensions continued to divert India's attention and resources from economic and social development.

Indo-USA bilateral Trade and investment under Atal Behari Vajpayee's Prime Ministership (NDA Government)

Another coalition was formed in New Delhi led by BJP, under the Prime Ministership of Atal Behari Vajpayee in 1999 (NDA government). The main objective of this government was to increase FDI. It was a challenge to Vajpayee, because 1998 India did nuclear explosions at Pokhran (Rajasthan) for showing its national power. Western powers, especially USA, had vehemently criticized about it and an economic sanctioned were also imposed on India. The USA threatened India to stop FDI and also cut off its economic and technological relations with it. From Indian side it was clear to the world community that it will not sorry for nuclear activities , because India was not a signatory of CTBT (1996) .Two important and bold decisions were taken by India within two years (1996-1996) CTBT and Pokhran-II .The USA was unhappy about India due to not sign in CTBT. In spite of these incidents India did not apologized .India was confident about its large and vibrant market ,

technological potentialities and rich man power .It was the USA , which bound to withdraw its sanctions from India looking to its own interests. American companies were also pressurized to American government. The bilateral trade continued to grow further. India's external trade including exports and imports, grew from US\$ 54.5 billion in 1990 to US\$ 106.6 billion in 1998 a 95% increase Exports of goods and services more than doubled from US\$ 25 billion in 1990 to US\$ 47.4 billion in 1998. Imports on the other hand grew from US\$ 31.5 billion to US\$ 59.1 billion, an 88% rise between 1990 and 1998 (Economy Watch). The USA President Bill Clinton visited India in March 2000. This was a visit by an American President after 22 years. Last President Jimmy carter visited India in 1978. President Clinton's visit had brought a new chapter in Indo-USA relations. Prime Minister Vajpayee's 10 day's return visit (September 7, 2000) to the USA took bilateral relations into a new and amicable phase with Washington unequivocally acknowledging that New Delhi was an emerging global power in terms of economy and politics. Economic achievements of this visit were more significant to India, keeping in view the following facts:

- Resumption of USA economic assistance to India, stalled after the May 1998 nuclear tests;
- Signing of agreements for the development of two thermal and one hydro power plant between USA energy companies and Indian promoter;
- Resolving to double bilateral trade (to \$15 billion in the three years) and to triple USA investment in India (to 15 billion a year);
- Opening of General Electric (GE)'s largest research and development center near Bangaluru;
- The USA assistance of US\$ 900 million to the State Bank of India and Exim Bank for purchase of USA goods and services by Indian businesses.

However, the Government of India is continuously reviewing its policies to create and investor friendly environment in sectors such as roads, ports and airports, private sectors participation in management, green - field airports, terminals and shipping berths and capacity augmentation has been initiated.

Among the major multinationals of USA that are doing a profitable business in India are General Electric, Whirlpool, Ford (India), 3M, Pepsi, Proctor and grumble (India), Micro Soft, Intel, IBM, EDS, Sun Micro Systems, Oracle Corporation, Texas Instruments. The USA success stories in this Sector include Citicorp, GE Capital, and

American Express. The insurance sector in India is opened up to 26% FDI. However, there are proposals to hike this limit to 49% (<http://economywatch.com>, 2007). The USA Companies that have successfully entered this field in India include New York life, AIG and Chubb.

Indo-USA economic relations is not determinate by the simple trade and commercial aspects, it has also another important aspect that is arms trade. Along with increasing military to military ties, the issue of USA arms sales to India has taken a higher profile, with some analysts anticipating that New Delhi will spend as much as \$40 billion on weapons procurement over the next few years (Timmons and Sengupta, 2007). The first ever major USA arms sale to India came in 2002, when the Pentagon negotiated delivery of 12 counter battery radar sets (or "Fire finder" radars) worth a total of US\$ 190 million.

India also purchased US\$ 29 million worth of counter terrorism equipment for its special forces and has received sophisticated USA made electronic ground sensors to help stem the tide of militant infiltration in the Kashmir region (Kronsta, 2007). In 2004, Congress was notified of a sale to India involving up to US\$ 40 million worth of aircraft self protection, systems for mounting on the Boeing 737s that carry India's head of the government.

India is in the midst of a major rapid economic expansion, with an economy projected soon to be the world's third largest. Although there is widespread and serious poverty in the country, USA government's believe that long-term economic potential of India is tremendous, and recent strides in the technology sector have brought international attention along with USA to such new global high-tech centers as Bangalore and Hyderabad. About one seventh of foreign direct investment in India since 1991 has come from USA firms, in recent years, the major USA based companies Microsoft, Dell, Oracle, and IBM have made multibillion - dollar investments in India (The Statesman,1991).

A very important aspect of USA India economic relations comes with the emergence of Business process outsourcing, where in many USA Companies are reaping the advantages offered by India's IT sector. India offers a large pool of trained, English speaking personal which offers huge cost benefits the USA MNC's. Several big names like, American Express, Citicorp, Microsoft, Dell, Hewlett-Packard and converges etc. are taking

advantages of the opportunities offered by India's IT Sector. Others companies such as Morgan Stanley, AT and T, Reebok, GM, Feejitsu, Boeing, these are India's outsourcing partner.

USA is India's largest trading partner accounting for 19 percent of the country's exports and over 10% of its imports in the year 1994-95. Thus USA has played a dominant role in India's trade in to mid of 1990's. On the other hand, India accounts for only 0.6 percent of USA's total exports and imports. Thus there is enough scope for expanding trade with USA.

Indo-USA bilateral trade which had been more or less stagnant since 1987-88, increased significantly during 1992-93 and 1993-94. The exports during 1993-94 showed 13.74 growths over 1992-93 while imports rose by 27.71% in the same period. Thus, India was having a favorable balance of trade for the last one decade expect for the year 1990-91. During 1993-94 the trade balance in favor of India was more than USA US\$ 1.2 billion (economic survey: 1994-95). This trend improved in the year 1994-95. Exports to the USA has increased by 25% while imports during this period. India had thus earned a significant amount of foreign exchange in its trading with USA. Trade with USA is one of the biggest positive factors for correcting India's economic crisis.

In the era of globalization India has been fairly successful in attracting a large number of countries to invest in the country. More than 50 countries from diverse geographical regions have so far made investment in India. The top five countries based on cumulative investment data in the post reforms period, in descending order are: UK, Japan, Switzerland, Germany and USA. But compared to the other four countries USA is the biggest FDI country in India.

**Foreign Direct Investment (FDI) flows from US to India (Rs. Millions)**

Year	Amount
1991	858.5
1992	12315.0
1993	34618.5
1994	34880.9
1995	8642.4

Source: SIA Newsletter, April, 1995.

American companies have good impact on employment sector in India. No precise statistics an available indicates the effect of United States on India's employment scenario. In India-employment of USA



affiliates constitutes 0.6% of their total USA affiliates of the entire world which is 6898.1 thousand (Banerjee, 1996). USA is one of the major questions for any country is employment. Indo-USA economic relations made a creating a job of 0.2 labor in India which is higher than the ratios in China, Indonesia, Thailand and Philippines and even Korea.

**INDIA'S EXPORTS TO THE USA**

In 1994-95 in India's contribution to total Export to the USA was as follows:

Item of Exports	% contribution to total Export to the USA
Leather Manufactures	3.11
Gems and Jewelry	29.73
Cotton and Fabrics	5.13
RMG cotton including accessories	15.44
Carpet (handmade)	2.98
Metal Manufactures	3.36
Cashew nuts	2.85
Marine product	2.90
Handicrafts	2.94

Source: Banerjee, Pronab Kumar. (1996). *Issues in Indo-USA Trade and Economic Cooperation*, New Delhi: Kanishka Publishers, 96.

Of the above items Gems and Jewellery and RMG cotton including accessories are the major items of export which accounted for about 45% of the total Indian exports to the USA. The USA is the largest market for readymade garments exports from India. In 1994, USA \$1284 million were exported to India which was 29% of the total garment exports and showing a 44% increase in value over 1993. In terms of quantity the exports grew by 31.9% over 1993 and reached a figure of 200 million in 1994. It is observed that during the last 4 years since 1991, there had been a consistent increase in India's exports of garments to USA at an average rate of 30%. The major items of exports to the USA are ladies dresses, gent's shirts and T shirts. India had signed a Textile Agreement with the USA on 31st December, 1994 to facilitate the Trade in Textiles product.

It is true that there are political differences between India and the United States dick mainly to the Cold War. Politics is only one of the dimensions in the totality of interactions between any two countries. It can be expected that political differences will be gradually overcome by countervailing forces in there sectors: burgeoning economic relations, growing people to people contact and exchanges and the spiritual evolution

of man (Jha, 2000). American investments in the Indian economy have increased as India has liberalized its economy. The implications of this growing economic relationship are evident. Mutual economic interests can override political differences. However, Indo-USA relations were going smoothly in 1997, when India and the USA, on 12th December 1997 signed a work plan for 1998 and 1999 for co-operation and development in agriculture and allied sectors (Biju, 2000). Agreement was signed at New Delhi. The agreement called for joint research and training and exchange of information in the area of tangencies, genetic enhancement of crop plant, aided horticulture reproduction technology and skill development for agro business. The agreement was signed by Dr. R.S. Paroda, Secretary, Department of Agriculture Research and Education of India and Edward Hailer, Vice Chancellor of Texas University USA.

The USA Commerce Secretary Mr. William Daley had stated at New Delhi on December 8, 1997 that the US administration may be prepared to go slow on the dispute with India over the Intellectual Property Rights (IPR). During his visit he underlined the importance of regional economic groupings such as the North American Free Trade Association (NAFTA). He felt that India should consider such regional groupings as the NAFTA had benefited Mexico greatly. He also stressed that the scope for Indo-USA Commerce was almost limitless. Bilateral trade had risen by another 18% in the first eight months of the 1997 and it might cross the US\$ 10 billion level for the first time.

The 12th General Election (1998) of India produced only hung parliament and unstable coalition government led by the Bhartiya Janata Party (BJP) that could work only for 13 months. This government was formed - led by Prime Minister Atal Bihari Vajpayee. Vajpayee Government took the bold step of exercising nuclear option by conducting five nuclear tests three on May 11, 1998 and two on May 13, 1998. The international reaction, as expected, was sharply critical of India's tests. In a message after the explosions the President of India Mr. K.R. Narayanan said that "Indian Science had scored, yet another achievement in the successful testing of nuclear devices at Pokhran. The evident was major breakthrough in the realm of national security. I extend my felicitations to all scientists and technologists who have made this possible and say to them India is proud of you."

But USA was unhappy about Pokhran II. The Washington

has confirmed that the direct impact of the sanctions imposed against India will affect the flow of US\$ 142.3 million which this country received as bilateral assistance. The USA export-import Bank said its action of ceasing all new approvals of financing USA exports to India would immediately be affected by approximately US\$ 500 millions of such exports in pending transactions.

The USA Administration also outlined the potential scope of sanctions against India as mandated by the Glenn Amendments. First, will be the termination of bilateral assistance, except humanitarian items, and this includes US\$ 51.3 million as Agency for International Development (AID) Developmental assistance which was come in fiscal 1998. The other component of assistance affected is PL-480 in fiscal 1998 amounting to US\$ 91 millions, taking the total to US\$ 142.3 million (Biju, 2000). The sanctions also resulted in the termination of military sales and financing which amount to \$775000 under the foreign Military sales and International Military Education and Training (IMET) Programme. The sanctions also prohibit USA Banks from extending loans or credit to the Government of India except for the purchase of food or agricultural commodities.

But the Bill Clinton administration was really in a dilemma on the question of sanctions against India for the conduct of nuclear tests. After taking a secret decision USA administration had withdrawn the economic sanctions from India thinking for Indian Big market. A.B. Vajpayee wrote a letter on 11th May 1998 to Bill Clinton "I assure you that India will continue to work with your country in a multilateral or bilateral framework to promote the cause of nuclear disarmament." The two ways process of normalization of the bilateral relations brought closer the two countries. One outcome of the Kargil conflict was that the USA moved closer to India. The frosty relations that had developed when India had exploded its nuclear bomb began to be repaired in the post-Kargil phase. The American Senate's rejection of the CTBT in October 1999 helped ease the major hurdle in Indo-USA relations. On January 21, 1999 the Maharashtra State Electricity Board signed a power purchasing authority with Dodson Linlelom Inc., USA to set up a 12 MW hydel power project in the Bhandara District in Maharashtra. In early 2000 the USA President Mr. Bill Clinton has allocated US\$ 5 million for economic reforms and liberalization in

India, besides funds for several welfare schemes in his fiscal 2001 budget. The amount for India was contingent on progress in American "economic dialogue with India" (*The Hindu*, 2004). The USA President Bill Clinton visited India in 1978. President Clintons visit brought home the fact that a new era of Indo-USA ties was beginning. But the left Parties of India were organized to demonstrations during the USA President's visit. The CPI Politburo Member Mr. Sitaram Yechury said that the visit would formalize the Vajpayee Governments "sub service" to the Clinton Administration. Mr. Clinton's visit, he pointed out "...was coming at a time when the USA pressures on India were at a peak. Most of the sanctions it had imposed after the Pokhran nuclear tests were still in force with nearly 150 Indian Institutions continuing to be bearded from any contact with USA agencies" (*The Hindu*, 2004).

The game plan for upgrading Indo-USA commercial ties had been carefully laid prior to the visit. The only inputs needed to push it forward were a green signal from the political leadership of both countries. Mr. Clinton's entire trip was especially the softening of attitudes on strategic issues and economic engagement of the two countries. The most significant arrow that cements in the Vision Statement issued after the Clinton-Vajpayee talks was the creation of an institutional arrangement for a Government to Government dialogue on economic issues.

#### **BILL CLINTON AND VAJPAYEE: PERSONALITY FACTOR IN BILATERAL RELATIONS**

During Clinton's visit, the major sectors in which the two countries were tied up were energy, environment and information technology: the three areas where there seems to be the greatest complementarities between the two countries. Energy was the area where India needs perhaps the biggest door of investment from the abroad. The vision statement signed by Clinton and Vajpayee on March 21, 2000 was perhaps the substantive part of the visit. The crux of the vision statement is, in the 21st century India and the USA would be partners in peace, with a common interest.

The Indian Prime Minister Vajpayee has paid a visit to Washington for 10 days, on September 7, 2000. The aim of the visit was to foster the bilateral relations of the two countries. Economic achievements of this visit were more important. During this visit an agreement was signed for development of two thermal and one hydro power plant between USA energy companies and Indian

promoter. Secondly the USA ensured to give financial assistance to India. During the visit they resolved to double their bilateral trade (to US\$ 15 billion in three years) and to triple USA investment in India (to US\$ 15 billion a year). It was ensured during Vajpayee's visit for the opening of FE's largest research and development centre near Bangalore. The USA government offered India for giving assistance of US\$ 900 million to the State Bank of India and Exim Bank for purchase of USA goods and services by Indian business.

The development of bilateral relations opens possibilities that were not imaginable just before 1991. There is for the first time the prospect of a substantial economic relationship between the USA and India. The economic interdependency between the two countries makes a closer relationship which has accelerated the relationship and closeness in other sectors of the relations of the two countries. The diplomatic sector is not immune from this.

These new economic links mean, first, that differences on economic issues can be managed more cordially. The balance of trade favors India, but some Indians remain concerned that American capital and finance will come to dominate their economy (Cohen, 2005: 289). Another important aspect of India-USA economic relations is the huge number of people of Indian origin residing in the USA. These people according to some surveys conducted in the USA, contribute a lot to USA economy and are among the most highly educated class in America.

The end of the cold war in the 1990s coinciding with the start of the liberalization of the Indian economy saw a steady improvement in India-USA relations with Clinton Administration identifying India as one of the 10 major emerging markets. The volume of India-USA bilateral trade also started to grow at a good pace even though it still remains a small fraction of USA's global trade.

In the year 2000, while USA exports to India account for over 10% of India's non oil imports while USA figures one fifth of India's exports. USA's trade turnover with India constitutes less than 1% of its global trade. India's one percentage share in US imports has remained more or less stable, it was 0.88% during 2000. In 2000, India ranked 21st among countries that export to the USA (Sondhi, 2004).

Soda ash was an important matter in Indo-USA economic relations. Soda gives washing powder. It is also at the centre of a looming trade conflict between India and the United States. In February 2001, New Delhi officially

responded to a USA threat to withdraw tariff concession on \$2.8 billion worth of Indian exports. Soda - ash has been a low - key trade dispute between the two countries for over two years then, USA Trade Representative said it would withdraw tariff benefits on seven categories of Indian exports, including leather goods. On humanitarian ground also, in 2001, USA President George W. Bush (Jr.) offered to the tune of US \$ 5 million aid to India for quake victims after a telephonic conversation with Indian Prime Minister A.B. Vajpayee.

There has also been a change in the composition of our imports from the USA. With India becoming self sufficient in food grains and the PL 480 funds having been used up, imports of wheat and edible oil from the USA on a regular basis had stopped. Crude oil, which was the second highest import item in 1985, had also been virtually phased. Aeronautical equipment, medical equipment, Organic chemicals are main imported items from the USA.

Since 1998, When the BJP led coalition first took office, GDP growth has slow, dropping from the height of 7% in the mid-1990s to 5.4% in 2001-02. Although this growth rate remains higher than that of any other Asian Country exceptionally, passing the US\$ 50 billion mark for the first time. The services sector, in this time produced almost half of GDP, has been the economy's strongest performer during this time. The star continues to be Information Technology (IT) (Kux, 2002). USA slowed India's IT growth from a spectacular more than 50% in 2002.

Indian's large pool of well-educated, English-speaking computer specialists whose wages, although high by Indian standards, remain well below those in the United States makes it an attractive source of software and computer services and location for IT development facilities. Indo-USA bilateral trade has also failed to expand as rapidly hoped, and the trade has been mostly one way. In 2002, India exported IT item to USA US\$ 3.8 billion, otherwise USA was more benefited than India (*The Times of India*, 2002) America continues to be India's largest trading partner, but India ranks only 25th for the United States.

The USA under Secretary of Commerce Mr. Juster said "There is immense potential for trade in the high technology sector between the USA and India in areas ranging from telecommunications to biotechnology." "India and the USA very much understood that there was a vast scope of furthering cooperation in the realm of

trade, investment and services and are taking steps to meet some of the challenges and problems”, said the Union Minister for commerce and Industry”, ArunJaitly, on 12th June 2003. The USA exports to India increased by nine percent in 2002 and crossed the US \$4 billion for the first time.

In September 2003, the Secretary of State for Washington State (USA), Mr. Sam Reed visited India. Addressing a seminar in Mumbai, he said India should reform its trade policies further and reduce tariffs to boost trade with the USA. He also pointed out that while India had reformed its trade policies and needed to make system transparent and reduce tariffs further for trade policies and needed to make system transparent and reduce tariffs further for trade between the two countries to grow.

The United States under - secretary of commerce, Kenneth Juster, was optimistic of making progress with India in high technology co-operation, but did not set any deadline on when specific agreements could be reached. Visiting in India, November 2005 Juster said he was pleased that a drop in Indian tariffs had led to an increase in USA exports to this country. At the press conference and at a meeting organized by the Federation of Indian Chambers of Commerce and Industry (FICCI), Mr. Juster called on India to drop the trade barriers. Specially, he called for better protection by India of patent rights. At the FICCI function, Mr. Juster categorically denied that there were any USA sanctions in force against India. However India’s sizable population and growing middle and higher income class makes India a potentially large market for the USA goods and services. According to the figure from government sources, the USA exports and imports from India in 2003 totaled USA \$ 5.0 billion respectively (Spacth, 2000).

India today is considered a leading software development centre. The USA accounts for 61% or US\$ 3.8 billion of India’s total software exports valued at US\$ 6.3 billion in 1999-2000. In the first half of 2000, exports increased by 63% or US\$ 2.8 billion representing 12.5% of India’s exports (Kapur, 2001). At the current rate of growth, India expects to capture 5% of the worlds IT market in few years. Some leading USA companies involved in the global IT market have set up their development centers in India especially at Bengaluru, Hyderabad, Gurgon and Kolkata.

On the other hand 17 of all the 32 software companies in the world receiving the ‘top quality’ certifications by the

Software Engineering Institute of Carnegie Mellon University are Indian (Spacth, 2000; *The Hindu*, 2002). Indian companies such as Tata Consultancy Services, Wipro and Infosys are listed on the New York Stock Exchange and NAS DAQ. These companies employed 2,80,000 software engineers, the second - largest group of software developers in the world.

The Indian economy has become considerably more open, with the ratio of total trade to GDP reaching 30% in 2004 (up from 14% in 1990). The idea of a Free Trade Agreement (FTA) with the USA appeared to support the Government of India, a significant turn that is seen as beneficiary for both sides (Ollapally, 2005). Backers of a services FTA in India point out that while it would open up some sectors which are now closed to the USA, it would in turn provide huge opportunities for high end Indian service providers such as doctors, accountants, architects and software engineers.

During his visit of March 2004, American Secretary of State Mr. Colin Powell, said, “Out sourcing is a global reality, the two governments would remain intensely engaged on the issue. Among a host of economic issues, Powell pitched for “easing bureaucratic obstacles to enter the Indian market, speeding up of reforms and relaxing foreign direct investment. Mr. Powell stressed on fostering bilateral economic relations. But he appeared to have a contrary view on outsourcing. He said, “The American people will find it less difficult to accept out sourcing if India helps generate more American Jobs by supporting trade liberalization in the WTO and further opening its markets to USA exports (The Statesman, 2004).

#### **USA PRESIDENT GEORGE BUSH SECOND TIME WIN AND OPPORTUNITY TO INDIA**

A second term for George Bush had been good for India. Bush was more advantageous to India. In his second term of Presidentship Bush had not taken the old line of foreign policy and was looking at South Asia, especially India, with a fresh approach. Bush declared that he was absolutely committed to building an enhanced, comprehensive relationship with India. Bush is a big advocate of free trade. Indian Prime Minister Manmohan Singh was also a supporter of the liberal economy. So the Head of the government of the two countries were of similar economic views.

During this time Indo-USA relations have reached a pick point with a friendly attitude. USA President George W. Bush’s second term in the white House had been

welcomed in the circles of Indian Industry and it was expected that it would further strengthen of Indian Chamber of Commerce and Industry that there would be a continuity of USA policies towards India and further improvement of Indo-USA relations.

Bush's re-victory was particularly good for the Indian IT industry. The USA President said, "The United States does not have enough young people to do the Job's that are outsourced to India. The unemployment rate in the US is only 5%, comprising people who want to work and 2-3% is temporary workers. It thus needs out sourcing as well as immigration" (Sondhi, 2004). The USA market is extremely competitive, requiring that Indian exporters continuously enhance their technological capabilities. Ensure high quality packaging. E-commerce and globalization have quickened the pace of change. India was implementing a five year medium term export strategy 2000-2005. The second term for George Bush has marked the opening of new and more successful chapter in Indo-USA economic relations.

#### **INDO-US ECONOMIC AND TECHNOLOGICAL ENGAGEMENT UNDER MANMOHAN SINGH (UPA GOVERNMENT)**

Prime Minister Dr. Manmohan Singh's meeting with President Bush on September 21, 2004 on the sidelines of UN General Assembly provided an opportunity for the two leaders to further strengthen these relations. Prime Minister said, two countries relations have grown in diverse ways and that the two countries relations have grown in diverse ways and that "the best is yet to come was a clear reflection of the priorities and policies of the government in India ([www.indianembassy.org](http://www.indianembassy.org)). The Joint Statement, issued after the meeting between Prime Minister Dr. Manmohan Singh and the President Bush stated that bilateral relations had never been as close as they were that time. Both the leaders had agreed that policies encouraging greater integration of the two economics and with the global economy would offer opportunities to expand and strengthen their economic partnership.

The USA welcomed the government of India's commitment to increase investment opportunities in telecom, insurance and civil aviation, and had drawn its attention to the urgency of moving ahead with other reforms, such as tax reform, trade liberalization, and the elimination of subsidies. In 2004, USA merchandise exports to India rose by 22.6%, while imports rose by 18.4%, over 2003 levels. USA imports from India were

clothing and apparel and Jewelry. USA-Indian Economic Dialogue Initiative has enhanced cooperation in four areas - finance, trade commerce and the environment', Remarked by US Ambassador David C. Mulford at an ICC/IACC Luncheon in Kolkata, on August 18, 2005. He called for "Advancing U.S-India Economic Relations" is illustrative of the importance attached to the economic aspect of the relationship. He stated further that the US commitment to develop deep economic and commercial ties with India has never been stronger. The open skies Agreement with USA and India was increasing air traffic and creating new Jobs, and India has financed a large order of Boeing aircraft. The two relational developments were held between USA and India in 2005, viz. Open skies civil Aviation Agreement and India's-2005 enactment of a new patent protection for pharmaceuticals and biotechnology inventions are indicators for bridging the differences that obtain in the USA perception (Vijaylakshmi, 2005).

As India's largest trade and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. As USA-India Trade Policy forum was created in November 2005 to expand bilateral economic engagement and provide a venue for discussing multilateral trade issues The USA currently accounts for about one - sixth of all Indian exports. India was the 21st largest export market for US goods in 2006. Annual FDI to India from all countries rose from about \$ 100 million in 1990 to nearly US\$ 6 billion for 2005 and more than US\$ 11 billion in 2006 (*Frontline*, 2003).

During the USA President George W. Bush's visit India in March 2006, he and the Prime Minister Manmohan Singh had expressed satisfaction with the great Progress the USA and India had made in advancing our Strategic Partnership to meet the global challenges of 21st Century. Reviewing the progress made in dependence the global Partnership between the USA and India since their Joint Statement of July 18, 2005, the President and Prime Minister reaffirm their commitment to expand even further the growing ties between the two countries (*The Hindu*, 2006). Consistent with this objective the two leaders wish to highlight the efforts the USA and India were making together in the economic areas, as - (1) welcoming the report of the USA-India CEO forum, agreeing to consider its recommendations aimed at substantially broadening bilateral relations. (2) Endorsing the efforts of the USA-India Trade Policy Forum to reduce barriers to trade and investment with

the goal of doubling bilateral trade. (3) Agreeing to advance mutually beneficial bilateral trade and investment flows by a high level public Private Investment Summit in 2006 (Vijaylakshmi, 2005).

### CONCLUSION

India and USA both countries have made a good understanding in bilateral economic relations. More or less it is balanced. Previous hostility and mistrust has been evaporated due to changing scenario. India's emerging market and potentiality and USA changing attitude have brought an opportunity for both. The USA needs India and India also to USA. India has reached at a bargaining position. After the disintegration of Soviet Union India had no any other option in world politics accept the USA. My first hypothesis was India made a close relation with the USA just for uncertainty of foreign aid diplomatic support from Russia. This hypothesis is proved. Second hypothesis was India was bound to adopt an open market economy for its economic growth, it is also true. Third hypothesis was, USA companies were provoked by India's big and potential market. This hypothesis is also proven, because after nuclear explosion USA government was bound to withdraw its economic sanction over India considering it as a big market and technological potentialities. While these have been slow; they have been more or less tended to be such that the USA has gained. India has changed its laws more often than the USA has and has done so more extensively. The USA also has cooperated to India, because Indian skilled workers are getting a huge number of jobs in the USA. India's growing and potential market has been attractive destination to USA. In reply, India has also been interested to make a close relation with the USA for its national interest. India's economic rapprochement with the USA transformed into diplomatic closeness. However, the USA is a unique power in contemporary world politics. India should have aware about the USA activities in South Asia and elsewhere in the world. After 9/11 incident USA required to India for its security and strategic interests. India has been an attractive destination for the USA not only economic and technological interests but also in diplomatic and strategic interests. Indian policy makers adopted an realistic diplomacy towards the USA. It was necessary for India.

### REFERENCES

Anthony, Spacth, (2000, November 27). 'India's New Incarnation'. *Time Global Business Report*,

- Banerjee, Pranab Kumar. (1996). *Issues in Indo-US Trade and Economic Cooperation*. New Delhi: Kanishka Publishers, 38, 96, 170.
- Biju, M.R. (2000). *India's Foreign policy - Towards A New Millennium*. New Delhi: National Publishing House, 316, 335.
- Clark, Don. (2000, May 2). South Asian angles reap riches, spread wealth in Silicon Valley. *Wall Street Journal*, 81.
- Devavrat N Pathak, (2000). India and the emerging World Order: Context of Indo-U.S. Relations. In Dilip H. Mohite and Amit Dholakia (Eds.). *India and the Emerging World Order*. New Delhi: Kalinga Publications, Delhi, 181.
- Dutt, V.P. (2007). *India's Foreign Policy since Independence*. New Delhi: National Book Trust India, 76.
- Jha, Nalinikant. (2000), *India's Foreign Policy in a Changing World*. New Delhi: South Asia Publishers, 62, 316.
- Kapur, Asok. (1991, June 27). 'Need to improve ties with U.S.'. *Indian Express*, 6.
- Kapur, Ashok Malik Y.C. (2002). *India and the United States: In a Changing World*. New Delhi: Sage Publications, 335.
- Kronsta, Alan.K. (Ed.). (2007). 'India-U.S. Relations', *Congressional Research Service Report*, USA, 8, 35.
- Kux, Dennis. (1991). *Estranged Democracies: India and the United States*. New Delhi: Sage Publications, 451.
- Kux, Dennis. (2002, May/June). 'India's Fine Balance'. *Foreign Affairs*, 81(3), 103.
- Malhotra, Vinay Kumar (Ed.). (1995). *Indo-US Relations in the Nineties*. New Delhi: Anmol Publications, 41-42.
- Ollapally, Deepa M. (2005, July-December). 'Perception, Reality and the Changing Nature of US-India Relations'. *International Relations in a Globalizing World* (Sri Lanka), Vol. 2, 300.
- Sondhi, Sunil. (2004, December). 'Bush re-election and Indian economy'. *South Asia Politics*, 3(8), 7-8.
- Sirohi, Sima's Report from Washington. (1991, April 23). *The Telegraph* (Kolkata), 4.
- Timmons, Heather and Sengupta, Somini. (2007, August 31). 'Building a Modern Arsenal in India'. *New York Times*. Retrieved from <http://www.nytimes.com/2007/08/31/business>

s/worldbusiness/31indiaarms.html?pagewanted=all&r=0

Vijaylakshmi, K. P. (2005, September). 'Recent Shifts in Indo-US Relations'. *South Asia Politics*, 4(5), 20, 50-51

Wishner II, Frank, G., Pasl, Nicholas et al. (2003). *New Priorities in South Asia: U.S policy towards India, Pakistan and Afghanistan*. New York, Council on Foreign Relations, 21.