INDO-US COMMERCIAL DIPLOMACY: STRUCTURE, PROCESS AND ROLE OF INDO-US JOINT BUSINESS COUNCIL SINCE 1991

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in partial fulfillment of the requirements
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MASTER OF PHILOSOPHY

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CERTIFICATE

This is to certify that the dissertation entitled **"Indo-US Commercial Diplomacy: Structure Process and Role of Indo-US Joint Business Council since 1991"**, submitted by **M.Narasimha Murthy** in partial fulfillment of the requirements for the award of the degree of **Master of Philosophy** of this university is his original work according to the best of our knowledge and may be placed before the examiners for evaluation.

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M. Narasimha Murthy

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Preface

" Diplomacy Is An Art Of Building Ladders
For Other People To Climb Down "

Today the United States stands as the sole superpower on the global stage. While its economic dominance has eroded with the raise of new economic powers on the growth of incomes and many Asians and other states, it remains the worlds leading economic powerhouse. Militarily, it is likely to remain dominant for at least the next quarter century. As the worlds unipolar center of power, the United States is defining its strategic interests and pursuing policies in ways that seek to consciously protect and bolster its global hegemony. US policy makers recognize that power and force will remain at the heart of international relations. To augment its economic power – the engine of its military might – the United States is employing a wide array of tools of economic diplomacy to hold on its present commercial advantages, gain new trading privileges and make its goods and services more competitive internationally.

The decline in relative economic power has made the United States more assertive in its foreign commercial policy and diplomacy. US statecraft is increasingly emphasising "burden – sharing", or greater contribution by allies in the global foreign – policy and security commitments of the United

States. It is unwilling to tolerate trade, technology or exchange rate disparities that disadvantage America. An ambitious export- promotion strategy now tops the US foreign policy agenda. During the first quarter century after the World War II, the United States winked at discriminatory trade practices by its political allies but now a pushy economic diplomacy has put foreign market openings at the center stage of US trade policy. "Aggressive unilateralism" has become an integral part of US commercial diplomacy, with Washington employing the threat of punitive action to back up its demands for market access.

The American national security strategy aspires to create and enforce international rules that favour US national interests. This strategy cannot succeed without building partnership with, or influencing the policies of, the major force. Commercial interests visibly determine the shape on thrust of US foreign policy . As security is the most important requisite for building economic power the orientation of American defense policy is also influenced by commercial interests. According to a White House report,

> "By exerting our leadership abroad, we can make America safer and more prosperous ... Our strategy recognises a simple truth : We must lead abroad if we are to be secure at home, but we cannot lead abroad unless we are strong at home... Our prosperity as a nation in the Twenty First Century also depends upon our ability to compete and win in international market .... In a world where over 95 percent of the world consumers leave out side of United States, we must export to sustain economic growth at home."

This research work brings out the centrality of commercial interests in US foreign policy and National Security. It attempts to throw new light on the relationship between business and foreign policy, and between commerce and national security, in the long term strategy of the world's sole super power. The United States is determined to preserve unipolarity in the international order and is working hard to underpin its unrivalled military might with renewed economic power. US diplomacy is focusing primarily on creating new foreign market openings for American goods and services kindling and export-led economic boom. The Indo-American relations, with trade and investment now taking central stage in place of traditional political issues is a clear case within this frame work.

The first chapter, focuses on this aspect of Negotiations. Here the Indo-US commercial diplomacy is traced through the understanding of Big Emerging Market Project. This is an account of Government-to-Business negotiations. This was in response to series of economic liberalisation policies launched by the Indian Government.

The second chapter brings out the US commercial diplomacy immediately after the establishment of World Trade Organisation. With regard to India US commercial department launched Commercial Alliance programme. Indian Government positively reciprocated this move by actively participating in the alliance . This is a business -- to -- business negotiations strategy.

The third chapter, traces the growth of Indo-US Joint Business Council. Indo-US JBC, apex body of Indian business houses, used the government to absorb the shock of competition immediately after the reforms were launched. Once they got hold of the situation, they perceived the government as an interrupter, and finally after collaborating with multinationals, they pushed the government aside. This chapter traces, how, the business groups have taken control of national wealth and resources.

The final chapter, gives a picture of the road ahead. This traces, various contradictions in the current global economic order.

Diplomacy is an art, practised through the mechanism of negotiations. To understand the diplomacy involved, negotiations have to be traced. This research work is an effort towards such a trend. Indo-US commercial diplomacy, has been brought into the picture, through the various negotiations trends, from bilateralism, to Business-to-Business and JBC. This work should not be mistaken for a record of statistical trends in economy.

Chapter – I

US Commercial Diplomacy towards the BEM'S

As the world moves into the 21st century, international relations are most likely to be largely determined by economic factors. There is no dispute that economic considerations have always driven foreign policy objectives of nation, big or small, powerful or weak. But the role played by the political military and ideological issues during decades of Cold War between the United States and the former Soviet Union would perhaps be circumscribed by the extent economic considerations assume an expanding role in international affairs in the context of the post-cold war developments. After all, during the Cold War years, economic issues were often overshadowed by political and security factors. Today we see several instances of economic interests taking precedence over politics and security concerns. A glaring example of this fact can be observed in the evolving nature of Indo-American relationship.

India and the United States have been engaged in economic interactions for the last two centuries. India's long period of colonial history means that Indo-US trade was actually trade between an independent country and a colonial possession of Great Britain. Another sort of economic relations was witnessed for about three decades after India became independent. It was an economic interaction between the economically most powerful country in the world and an economy that had gradually emerged from the pangs of long colonial experience, but could not yet take care of the basic need of the citizens living in the country. In a way, both the US economy and the Indian economy were passing through a transition period. The US economy looked more bloated in view of the war-torn economics of Europe and Japan whereas India was experiencing the post-colonial economic challenges. As a result, the nature of Indo-US economic ties was, to a considerable extent, one, marked by the donor-recipient syndrome.

India and the United States have come a long way in their economic relationship from the one that began as a donor-recipient one in the 1950s and 1960s to one that aims at establishing a commercial alliance in the 1990s. This change in the relationship is not natural or dramatic but rather the result of a wider strategy of the United States. The fact of the matter is that, both the sides were resisting each other's moves, but finally, the United states succeeded using economic relations as a tool of negotiations with India in such a manner, that India gave into US designs. This chapter traces the design.

With the Cold War at an end, there were calls for a new world order. These came in several varieties. The non-governmental South Commission chaired by Julius Nyerere and consisting of leading third world economists, government planners, religious leaders, and others, published the earliest report. The South Commission observed that there were some gestures towards third world concerns in the 1970s, undoubtedly spurred' by concern over "the newly found assertiveness of the south, after the rise in oil prices in 1973.As this problem abated and the terms of trade resumed their long-term shifts in favour of the industrial societies, the core industrial powers lost interest and turned to 'a new form of neo-colonialism', monopolizing the control over the world economy, undermining the more democratic elements of the United Nations, and in general proceeding to institutionalise the south's second-class-status'.

Reviewing the miserable state of the traditional western domains, the commission called for a 'new world order', that will respond to 'the south's plea for justice, equity, and democracy in the global society, though, its analysis offers little basis for hope.

The West is guided by a different vision; one outlined forthrightly by Winston Churchill;

> **"The government of the world must be entrusted to satisfied nations, who wished nothing more for them than what they had. If the world governments were in the hands of hungry nations, there would always be danger. But none of us had any reasons to ask for_any thing more. People who lived in their own way and were not ambitious would keep the peace. Our power placed us above the rest. We were like rich men dwelling at peace within their habitations"[1].**

To rule is the right and duty of the rich men dwelling in deserved peace. Removing the veil of delusion from Churchill's perception we derive the guidelines of world order :

1.Winston Churchill, The Second World War, Vol. 5, London, 1951, P-382

The rich men of the rich societies are to rule the world, competing among themselves for a greater share of wealth and power, and mercilessly suppressing those who stand in their way, assisted by rich men of the hungry nations who do their bidding. The others serve and suffer.

Even after the cold war Churchillian doctrine was applied on the Gulf War, this time "to sustain a world order stable enough to allow the advanced economies of the world to function without constant interruption and threat from the third world" as observed by Pergrine Worsthorne, the editor of the *Sunday Telegraph*. This is a indication that "the post cold war world " is to be much like what came before.

Shortly after the South Commission called for a new world order, based on justice, equality, and democracy, president George Bush used it to justify the Gulf War. The message was elaborated by Thomas Friedman, Chief Diplomatic correspondent of the *New York Times*. "American victory in the Cold War was...a victory for a set of political and economic principles democracy and the free market. At last, the world is coming to understand that " the free market is the wave of the future –a future for which America is both the gatekeeper and the model"[2]. It was also enunciated as the "Clinton Doctrine", which declared that USA's new mission is to consolidate the victory of democracy and open markets; that had just been won.

2.Thomas Fried man, NYT week in review, June 2,1992.

The primary objective of this new world order is to establish market democracy. The primary barriers to implementation of democracy, are efforts to protect "domestic markets"- that is to prevent foreign (mainly US) corporations from gaining even greater control over the society. President Clinton's call for 'trade-not-aid' outlines the picture of the new world order, described as neo-liberalism. The new world order which is a result of Washington consensus, is an array of market-oriented principles designed by the government of the United States and the international financial institutions that the US largely dominates. These principles are implemented by them in various ways for the more vulnerable societies. The multinational and Trans-National companies (MNCs), have played a major role in shaping this new global order. Their growth compelled America to look for an outlet and the opening was provided by IMF-World Bank-GATT, combine.

Parallel to the shaping of new global order was the Uruguay Round of GATT negotiations. Multilateral forum was avoided and bilateral negotiations were preferred to suit the needs of the MNCs. Much of Indo-US economic relations fall into this gambit.

India's tilt towards US sponsored world order was, also a result of the role played by Indian business houses which commanded the Indian government in trade matters.

It was only after the institution of an economic liberalization programme in June 1991 and disintegration of the Soviet Union in December 1991 that there arose prospects for an enhanced level of economic interaction between India and the US. Even before Bill Clinton entered the Oval Office as the first post-Cold War US president in January 1993, a report on "India and America after the Cold War", co-authored by senior Carnegie endowment associates Selig Harrison and Geoffrey Kemp, and signed by 34 members of the study group was released, urging the US Government to give increase priority to India as the world's largest democracy and as "a potential partner" in efforts to resolve the global disputes[3]. Releasing the report, former US Ambassador to India, *Robert Goheen* said that US policy makers should approach India with the understanding that "it is the strongest military and economic power in South Asia and its power is likely to grow"[4]. A study by the Asian Society study mission, South Asia and the United States after the Cold War, subsequently, recommended to the US Government that economic relations should be the focal point of US engagement in South Asia because successful economic reform and deregulation in South Asia will offer extensive commercial opportunities for the United States, especially in India.

Such recommendations, in fact, came in the wake of remarkable transformations in India's economic policies and outlook. When Bill Clinton won the 1992 US presidential election, a mini-economic revolution in India had already taken root. The Congress party under the leadership of P.V. Narasimha Rao chose an experienced economist Manmohan Singh to

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3. Selig. S. Harrison and Geoffrey Kemp. *India and America after the cold war* (Washington, DC:, 1993.
4. Berta Gomey ' panel urges to give priority to India', Text Line Jan 13, 1933 New Delhi.

head the finance ministry and he started a policy of economic reforms aimed at making the Indian economy part of the international economic activities . India's entry into the International Economic playground caught the imagination of the American commerce, treasury, and energy departments as well as American corporations and business houses.

However, neither the Carnegie report nor the Asia Society report had any positive impact on the thinking of the State Department officials. While Washington was apparently busy, with more pressing strategic and foreign policy issues, Assistant Secretary of state for South Asian affairs Robin Raphel had almost ruined the chances of improvement in Indo-US relations in 1993. Issues such as the threat to impose sanctions under super and special 301 clauses of the US Trade Act against India, unpalatable remarks on Kashmir by the administration officials, as well as President Clinton himself and undue delay in sending an ambassador to New Delhi created bad blood between India and the United States.

Although the creation of a new South Asian bureau in the State Department provided an indication that the Clinton administration would give increased attention to South Asia, the priorities set by Clinton's State Department at that time did not appear very encouraging for Indo-US relations. During her confirmation hearing in the Senate Foreign Relations Committee on July 19,1993, Robin Raphel made a prepared statement which did not give much attention to the prospects of improvement in Indo-US economic ties. Raphel, on the other hand highlighted that "South Asia, home to one-quarter of mankind, faces challenges as ancient as ending poverty, as new as pollution and deforestation, and as tragic as the spread of AIDS and the challenge of terrorism"[5]. She didn't mention the existence of opportunities to foster new partnership between the United States and the countries of South Asia on issues ranging from controlling the spread of destabilizing weapons to protecting the natural environment to strengthening trade and economic relationship, and there was little in her statement that would have pleased the Indian industrial houses, traders or even Indian commerce and finance ministries.

An overall assessment of Robin Raphel's statement and the remarks on South Asian affairs, especially Indian affairs, did not appear healthy in terms of Indo-US relations. None the less, there was a piecemeal improvement in her subsequent perceptions of India, which was perhaps the result of the Indian economic reforms which had begun to draw attention around the world. One of the important developments that influenced the State Department's perception of an evolving India was the release of a report around this time on the Emerging Markets prepared by US Commerce Department. According to this study, India would be one among the 10 Big Emerging Markets (BEMs) in the world whose likely share of the world's Gross Domestic Product (GDP) would double in two decades from the current 10 percent to 20 percent.[6]

5. RobinRaphel, *Democracy, Human Rights US South Asia priorities* ". Official text, , July 19, 1993. New Delhi.
6. Official text, New Delhi Sept 15,1994

Although the United States was already the largest trading and investment partner of India, the scope of the Indo-US economic relations remained vast with only 0.6 percent of the US exports coming to India and less than 0.3 percent of the US overseas investment concentrated in India. About two months after her confirmation as the Assistant Secretary of State, Raphel stated in her address at the close of the Asian foundations two day conference on South Asia in Washington that, "American commercial presence in the subcontinent is growing rapidly as trade barriers fall. Projected new US investment in India this year is $200 million, one quarter of the total since independence. Half of the new foreign investment approved by the government of India in the first six months of this year is American ."[7]

By early 1994, the State Department's judgement on prospects for enhanced level of economic interaction between the two countries was considerably optimistic. In her first appearance at the Senate Foreign Relations Sub-committee on Near Eastern and South Asian Affairs, Robin Raphel stated on February 5, 1994: "Major US corporation recently launched an India Interest Group. This group includes AT & T, Coca Cola , Enron, Ford, General Electric, IBM International equity partners, Morgan Stanley, Raytheon and Unisys. I am certain, trade and investment will grow at an increasing pace.

7. " South Asian Bureau Chief gives overview of US policy" official text, New Delhi, Set 21,1993

This is fueled by continuing Indian economic reforms and increasing willingness by US business to pursue commercial opportunities in India. Twenty present of all Indian exports come to the United States and the US is the largest source of foreign investment and commercial technology for India. The Commerce Department has designated India as one of the ten Big Emerging Markets in the world to receive special attention as we formulate our world wide export strategy "[8]. Four days later, while speaking to the Asia Society in Washington she repeated these remarks and emphasized that the "US-India trade relationship took a spectacular leap last year"[9]. Robin Raphel's observations of Indian economic reforms and growing Indo-American trade and investment relations come in the midst of the political row between the two countries which was caused by Raphel statement on Kashmir issue.

The following month, however, Robin Raphel and her boss Deputy Secretary of State Strobe Talbott, visited India on a damage limitation mission to remove misunderstandings and augment political relations between the two countries to facilitate further relationships. Robin Raphel asserted in New Delhi that the United States supports "a strong, stable and prosperous India" and emphasized the growing commercial and business ties and the long standing agreements on scientific and technological collaboration between the two countries. In a prepared speech at the American Center in New Delhi, she further commented: " India is becoming an increasingly important trade partner.

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8. Robin Raphel : *South Asia continues towards open market, Democracy*. Feb. 5,1994, New Delhi.
9. Wireless file, Feb. 9,1994

We expect the partnership to grow even more in the coming years. Prime Minister Rao and his economic team deserve great credit for launching India into the front ranks of the world emerging markets. The new opportunities for co-operation and rapidly expanding economic relationship that I have just outlined will shape our relationship in the decades ahead "[10].

A couple of weeks before Raphel's trip to New Delhi, USAID had signed an agreement with two Indian urban development finance agencies to make available $125 million to strengthen India's debt market and provide the growing urban population with basic amenities. A day before Talbott's visit to India, it was made known that President Clinton had sent to Congress his report on narcotics trade which appreciated New Delhi's cooperation in drugs and narcotics control.

It appeared as if the Clinton administration efforts to focus economic ties with India was back on the rails. A little before the Indian Prime Minister's planned visit to the US, the House Foreign Affairs Committee Chairman, Lee Hamilton stressed the need for better ties with India in a speech to the Asia Society on April 29, 1994. Hamilton said "For decades South Asia has been a forgotten stepchild of American foreign policy. Yet the US should care about India. Why?, First, India is simply too important to ignore. One quarter of the world's population lives in South Asia most of them in India. It is the world's largest democracy. It has the fifth largest economy, the fourth largest army, the largest scientific and technical

10. Robin Raphel "India, U.S relations on the road to an enduring partnership – official text, USIS, march 25,1994

Community and the second largest number of software professionals.....fortunately there are exciting economic developments in India. After four decades of socialism India began in 1991 a far reaching programme of economic reform, and deregulation. The government lowered trade barriers, eliminated government monopolies, slashed taxes, encouraged foreign investment, opened the banking sector and capital markets, and made its currency convertible. The results have been dramatic, GDP is up while inflation has fallen. Stock exchanges are booming foreign investment is pouring into the country and foreign currency reserves are balloning. New factories are churning out an ever expanding supply of goods. India's middle class already rivals the total population of the United States, and is growing. The sheer size of this pool of potential customers starved for consumer goods is a powerful magnet for US business. US business has seized this opportunity. The Commerce Department recently named India one of the worlds Big Emerging Markets. US companies with business interests are also active. They recently formed the India interest Group, an informal network aimed at improving bilateral commercial ties. Some of American largest corporations, including Coca Cola, Citibank, AT&T, American Express, IBM ,Ford and Xerox are members."[11] While enumerating the positive developments, Hamilton of course didn't fail to highlight the American concern.

11. Lee Hamilton, Stresses need for better ties with India" Wireless file, New Delhi, Apr. 30,1994

. He continued: "yet the Indian economic revolution need to be pushed forward. Indian industries find it nearly impossible to fire surplus workers. Privatization has lagged and the state props up money - losing companies. A maze of regulation stifles initiative. Intellectual property rights are not yet safeguarded. We have serious concerns about Indian companies infringing on the patents of the US firms especially in the pharmaceutical industry ".[12]

Visiting the United States the following month, in May 1994, Prime Minister Narasimha Rao, sought to convey India's desire to enhance Indo – US economic co-operation. At first he struck a friendly note through his remark that " Indo – US relations are on the threshold of a bold new era. We have seen unprecedented co-operation in a number of areas. Most recently Indian forces patrolled alongside US and UN forces in Somalia. We share common interests in addressing global environmental crises, combating international terrorism and stemming the tide of international narcotics trafficking. In these areas United States and India have worked closely together". But on top of his agenda were the issues where the two countries had not yet worked that closely namely, trade, Investment and transfer of technology. In his address to the joint meeting of the US Congress Rao said, " Perhaps the most impressive aspect of India's ambitious economic reform program is the smoothness with which the transition from a close, protected economy to an open, export oriented economy has occurred .

12. Ibid, p-12

India's vast domestic market, huge educated skilled and semiskilled work force, sound financial institutions and time tested and democratic system offer tremendous investment opportunities for forward thinking companies"[13]. Later, while speaking to the Indian and ethnic press in Washington, he said that his visit "had a very important economic content. Following our economic liberalization, the US has become our largest trading partner and the largest foreign investor in India. Our economic and commercial ties are now poised for substantial growth in the months and years to come. In the course of my visit, I had very useful opportunities of meeting top US business leaders at Houston and Washington. I was glad to note the enthusiasm that they showed in participating in India's economic growth"[14].

Rao's economic diplomacy in Washington in fact brought considerable premium particularly in attracting the US business and bureaucratic attention to the economic opportunities offered by India. In a prepared speech to the World Conference on "the US relationship with India" on September. 8, 1994, Assistant Secretary of State Robin Raphel said: " The opening up of India's economy has created another avenue of collaboration between our two countries. President Clinton has praised the Prime Minister's three year old economic reform plan as the engine of growth in our relationship. I expect that partnership between India and American firms will continue to expand. India's growing middle class and dynamic new entrepreneur are making their mark. They are propelling India in to high technology, information based world of the 21st century.

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13 Narasimha Rao, official text, USIS , New Delhi, 20th may 1994.
14 Ibid

Bangalore has become known as the "Silicon Valley "of India, and India's software export are growing at a rate of 40-50 percent a year. Indian business cards increasingly include an internet address. Both the United States and India intend to be in the forefront of this 21st century world. Our trade and commercial ties will expand even faster in the years ahead. Facilitating the expansion remains a top priority of this administration." [15]

In a speech at the United Nation on September 29, 1994 Secretary of State Warren Christopher said, among other things, that "India's economic reforms plan has cleared the way for unprecedented trade and investment between our two countries, a matter that certainly has been noted by more and more of our business community. Our investment in India has increased more in the last year than in the preceding four decades of Indian independence[16].President Clinton himself wrote a letter to Prime Minister Rao in the same month indicating his desire to work for enhancing Indo-American economic interactions. After all the Clinton administration , which had already given top priority to reviving the country's economic competitiveness, had carefully observed the evolution of Indian economic reforms, Bill Clinton during his campaign, had promised that restoration of economic competitiveness would be his paramount strategy,

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15 Robin Raphel, Official text , USIS, New Delhi 9th Sept. 1994

16 Waren Christopher , At UN, Official Text USIS, New Delhi 30th Sept.1994

in his domestic as well as foreign policy. As part of that strategy the Clinton team aimed at enhancing the access of the US business to foreign markets through "bilateral regional and multilateral arrangements". In response to the Rao governments initiative US Under Secretary of Commerce Jeffery Graten visited New Delhi in November 1994 and paved the way for commerce Secretary, the late Ronald Brown's mission to India in January 1995.

From such a chronological account of the moves by US and India , the impression is, both the countries have made dramatic shifts in their moves from a clear 'no' to 'yes' as the negotiation progressed. The question at our hand is what was diplomacy behind this. From the above analysis , it is also clear that United States always triggered the moves and India merely responded. What triggered United States ?

The German statesman Otto Von Bismarck said " World history, with its great transformation, does not come upon us with the even speed of a railway train. No it moves in spurts but then with irresistible force"[17]. This is true with the rise of the Big Emerging Markets . Over the next decade there will be fantastic opportunities in this great transformation for America. There will be enormous pressure and risks as well. America can play the new global game without a bold strategy, hoping for the best with marginal

7. William Safire, 'Lend me your Ears: great speeches in History, New York, 1992. P.888

adjustments to what it is already doing or can adjust to the changes with all the energy America can muster. It's a choice that America will make, even by default. But in reality , what choice does it have?[18]

It is open to us now, America was triggered on the one hand by the report on Big Emerging Market (BEMs) and on the other hand by compulsion. An in-depth analysis of BEM project will lead us to the factor which influenced United States.

Jeffrey E. Garten entered the Clinton administration as Under Security of Commerce for International Trade in 1993. He had with him the experience of having served in the Nixon, Ford and Carter government and also experience of working for 13 years on Wall Street as an investment banker with a focus on global finance. Also in the team was Secretary of Commerce Roland H. Brown, his boss. Both had the idea of a massive shift in American global interests, and their job was to analyze and direct it where will Americas interest in the world lie ten or twenty years from now ? What should be our long – term goals , and how can we achieve them ? Was their question to themselves and the answer they gave was a project BEMs.

Both were able to gather excellent people from around the world. They had

18. Jeffery. E. Garten, " The Big Ten and how they will change our lives,U.S 1997. P184

access to an enormous amount of information in the departments of commerce, state , treasury and the CIA : exceptionally bright young government professionals buried in bureaucracy, the resources of their embassies around the world, research done in America's best think tanks: views of top executives in dynamic companies doing business abroad.

By the end of five months, they concluded that a new world was indeed arising. In the future there would be a new category of countries with which America would have to contend. Some ten nations were heart of this group, and they called them Big Emerging Markets .India was one among them.

All these BEMs were big, ambitious and gaining power in their geographical neighborhoods. They were looking for their place in the sun and forcing others to make room. They were increasingly aggressive and influential.

The project included the BEMs that would be critical to the evolution of the world for the rest of the 1990s and several decades beyond, that would also be at the center of many of Americas vital concerns at home and abroad. They would determine in large part what the global trade and financial system would look like.

When the project was completed, Secretary Brown presented the results at a cabinet meeting. He received unanimous encouragement to develop a comprehensive strategy. The implication is that strategy would be much broader than merely selling US products for exports. Other aspects of this would revolve around political and military links, cooperation on human rights, sharing technology, environmental protection, drug trafficking and terrorism.

Inter-Agency debates , were held under the auspices of the National Security Council or the National Economic Council, concerning the trade policy towards BEMs. The US Commercial Service- the 1000 men and women stationed around world, whose job is to promote US exports-was reorganized to give primary emphasis to all ten BEMs. Joint council between US and these governments were established to bring governments and private sector together to increase trade and investment, and to build stronger economic ties.

Another significant accomplishment was the establishment of a special centre within the Department of commerce to help American firms win big commercial contracts in an environment of brutal competition among US European and Japanese companies. Officially called the "Advocacy-Center", this new operation looked and functioned more like a Wall Street trading floor than a government office and it came to be called the "economic war room". It brought together all parts of the administration the departments of state, treasury and commerce, the Export- Import Bank, other governmental financing agencies, and US ambassadors around the world. It became the new centre for the BEM strategy and a place with which American companies could easily contact as a central coordinating point. Every one in the public and private sector involved with the war room had a single objective – to win deal for American companies bidding against other nation's firms that were supported by their governments. This helped in consulting with American firms, exchanging views with thousands of American at Chamber of Commerce and other business gathering , as well as councils, on foreign relations.

The pace of the American economy exceeds that of Europe or Japan, but the fact remains that they are expanding at the slowest rate in many decades and much of their growth is tied to exports, which themselves depend on continued economic progress in Big Emerging Markets. American business has been in a modest expansionary stage for a long time now ...., because some unique factors have been at play. The federal budget deficit has been reduced in huge increments, but that dramatic pattern can't be maintained . Corporate downsizing has made a dramatic contribution to American competitiveness , but it has reached a dangerous level. A booming stock market has boosted corporate fortunes and individual wealth, but their history is replete with large 'market corrections'.

A hike in US interest rates combined with a drop in exports could change their domestic picture very quickly and dramatic for worse.

Why India ?..........................

India, with a population over a billion, including a middle class of well over 200 million is vast by any standard. It has a diversified industrial base, with large scale production of coal, steel, cement, chemicals, and textiles. Its highly trained and educated workforce has helped make it one of the world's largest exporter of computer software.

Unlike many BEMs, India has a sophisticated commercial and legal code. It has placed economic progress at the hearts of its national policies. It slashed tariffs from a maximum of 300 percent to 50 percent, it ended government monopolies in electric power, telecommunication and aviation. A safe court for any company.

The main features of BEMs are :-

- They have large populations, large resource base, large markets, and are power houses in their respective regions.
- They are busting into world scene, shattering the status quo.
- They are critical participants in the major political economic and social dramas taking place on the world scene.

- They are world's fastest expanding markets, and responsible for a good deal of world's explosive growth of trade.
- They are all trying to open their economies, balance their budgets and sell off their state companies.

Here is a snapshot of the factors that will make BEMs important to United States' future :-

1. The Big Emerging Markets will be a powerful force propelling economic growth around the world. If most nations continue to open their economies to trade, and if the BEMs continue their trend of sound economic policies then the BIG TEN will grow two to three times as fast as the United States and the other major industrialized countries over the next decade. The compounding effect will be dramatic.
2. Already the United States exports more to the BEMs than to Japan and western Europe. But if current trends continue, the Commerce Department estimates that the BEMs will account for $1 trillion in incremental American exports between 1990 and 2010.
3. The future of the world trade depends on BEMs. Because of the growing needs of their consumers, hundreds of millions of whom are entering the middle class and because they will require hundreds of billions of dollars of imports to build transportation, telecommunications and energy-generating facilities. The big ten will provide an enormous proportion of the incremental increase in world trade.

4. But it is not just the dollar value of trade that is at issue. The trade policies of BEMs will determine the direction of trading system between protectionism and open trade.
5. The BEMs will have a major impact on the industrial structure of the world and the United States. Over 1 billion people will enter the global economy as workforce. For America the implications for commercial competition employment , wages are staggering.
6. The size of the markets in the Big Ten will create brutal rivalries among American, Japanese and European companies. Already they are becoming major wedge in the trade and diplomatic ties between America and other industrialized nations.
7. Geopolitics will increasingly revolve around the BIG TEN . Their growing economic weight will be felt in the governing councils of the major financial institutions like IMF and WTO.
8. Most important of all is the ability of the world to move towards a democratic – capitalist society , where an individual has dignity and freedom as a rule, living standards rise for all this depends on the simultaneous economic and political openings in all the BEMs.

In short , there are powerful new forces in the world, and the BEMs are at the crux of all of them. This is the reason why America is adopting a new way of thinking about their role and priorities in the world.

Business strategies :-

The BEMs constitute the next big frontier for global business. American firms like General Electric, Boeing, Microsoft, Citibank, Ford, General Motors, Motorola, Coca Cola and Proctor and Gamble are all targeting these areas as the mainstay of their future growth. The Big Emerging Markets are supporting automobile and commercial aircraft industry in America. The production and supply of workforce will double by 2010. Consumer goods industries also expect a bonanza. The chances best, in a century – that the commercial and financial possibilities in the Big Ten will be pivotal in terms of their importance to the US economy and to American firms. It is of crucial importance that the United States makes these economic links work for its most vital national interests depends on it.

A Vigorous Commercial Diplomacy

Jeffery E. Garten, Under Secretary of US Commerce Department who is the 'architect' of commercial diplomacy', lays out five priorities of commercial diplomacy towards the BEMs.

- We must reduce efforts to press for open markets abroad by negotiating additional trade agreements.
- We must build much closer relations with BEMs, including helping them to grow and develop

- We must help them to become more integrated into the world economy so that they expand the range of their commercial transactional rules of finance and trade.
- We must expand our economic interaction not just for commercial purpose, but also to gain influence in other or areas such as human rights and military matters.
- And we must pull out all stops to help our own companies win larger market share in these expanding markets.

Drawing inspiration from the guidelines of commercial diplomacy , United States government, officially got involved in economic war room to win commercial contracts for US firms. The rationale for this government role is that it will be a long time before the commercial environment in the markets of the Big Ten is as free of government interference as, say, in England. The fact is that in all the BEMs , governments are the entities that are awarding contracts and they are influenced by the interest shown by other governments. If Washington does not show up in support of it's firms, it's a sure bet that Bonn or Tokyo will do so on behalf of their firms, putting American companies at a major disadvantage.

Before 1993, the United States was not well prepared to help its firms in the brutal global competition to win large scale projects but there were ad-hoc efforts, usually at the eleventh hour. Early in its first term, Clinton administration decided that a far more systematic strategy was required, one that would make use of all the diverse resource of the federal government . The help was to continue well beyond the initial stages of the deal. The new strategy therefore tried to build links between a group of people in the government and the American firm bidding on projects, so that Washington could interact with companies, first to gauge whether, a project was, in fact, in the public interest, then to help win the deal, then to make sure it went forward . This in turn, required assembling a group of professionals who could understand all aspects of the project, including the industry and the particular economic and political considerations in a specific foreign country, as well as the conformity of the project to US law.

And so the 'economic war room' was established as a centre for policy information , strategy , and follow-through , and as a government nerve center for coordinating the efforts of a host of government agencies. It began to coordinate every thing from lobbying other governments to, behind – the scene advice to US companies, to government backed financing. It helped the administration systematically think through the criteria for helping US firms, criteria that revolved around perceptible benefits to the US economy including support of the jobs at home that would result from increased exports.

The importance of the war room goes well beyond the billions of dollars in contracts it helped American firms win. The effort symbolised the importance of commercial priorities in American foreign policy. It conveyed to its competitors and to the BEMs that, US is deadly serious about expanding its commercial reach in BEMs , and that involvement of US firms in building the infrastructure in a foreign country was a key element in American links to the most dynamic areas of the world. Another major development is that of picking executives to go on high-profile trade missions, or in identifying projects that the government should promote abroad. The Clinton administration played favourites and rewarded major campaign contributors.

The crux of commercial diplomacy lies in placing government as an agent for the companies seeking to establish trade with Big Emerging Markets. Economic war room, exactly operated on those lines for US companies. The composition, power and recognition given to the economic war room, confirms the US foreign policy tilt towards placing economic agenda on top towards BEMs. United States successfully used all its resources in making India fall in line. What was not resolved through multilateral negotiations teams in GATT, came in through bilateral proposition, that too for no price. Indian trade policy also made a policy shift from market ' containment to expansion'. India of course, registered a growth in statistical terms but it reconfirmed the contradictions within society.

Chapter II

Indo - US Commercial Alliance:
Business-To-Business Negotiations

In the previous chapter, an in-depth analysis of Indo-US economic interactions from the beginning of India's reform program, till United States presidential economic missions arrival to India, is discussed. The chapter contained the United state's choices and interests in recognising India as one of the Big Emerging Markets. The Current chapter focuses on the Indian response to the United States' move, resulting in commercial alliance and subsequent happenings.

Presidential Business Development Mission :

In naming Ronald H. Brown as Secretary of Commerce, President Bill Clinton said he was appointing someone who could make the department a powerhouse . The president noted that Ron Brown 'has had a distinguished career as lawyer. He has been the Chief Counsel of the Judiciary Committee of the Senate. He's been a prominent civil rights leader. He's worked 11 years at the Urban League. He has been a brilliant negotiator and perhaps the most outstanding chairman of the Democratic National Committee in my lifetime".[1]

Making good use of the opportunity and recognition given to him, Commerce Secretary, Ronald H. Brown, converted the department into

1 President Bill Clinton, Press Release , USIS,Jan 10,1995

a Power House of commercial diplomacy. He was rightly assisted by his deputy,Jeffrey E.Garten. After the visit of Garten to India in 1994, in response to Prime Minister Rao's visit to United States, Commerce Secretary Ronald Brown announced on January 10, 1995 that, he will lead a Presidential Business Development Mission to New Delhi, Bangalore and Bombay from Jan 14-21 ,accompanied by 25 presidents and CEOs of US companies , and other inter-agency officials.

The historic mission to India, a country designated by the Clinton administration as one of the world's ten Big Emerging Markets, was aimed at further promoting Indian efforts to reform its economy and increase foreign investment and business opportunities for US firms.

" We are greatly encouraged by the reform efforts of the Indian government and believe this trend will lead to a stronger commercial relationship with the United States that will greatly benefit the economies of both countries ,'[2] stated Brown. " The potential market that exists in India, the worlds largest democracy, for US business in sectors such as energy, telecommunications infrastructure, and environmental technologies is vast and virtually untapped. This mission is yet another example of the Clinton

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2 Ronald Brown, Press release, USIS, New Delhi, Jan 10 1995

administration's commitment to advocate on behalf of US business to boost, US exports and create US jobs and to contribute to global sustained economic growth." [3]

The mission visited three economic and financial centres in India-New Delhi, Bangalore and Bombay. Ronald Brown, the secretary met senior government officials including Prime Minister Rao, to promote bilateral commercial interests and discussed ways to expand economic vitality and job creation in both the US and India.

" We are headed to India with a bold and clear vision to increase business opportunities for US companies in India's vast market, and contribute to India's sustainable development and economic growth. With this goal, we are laying the ground work for the future economic vitality of both the US and India. As we move forward into the 21 century and into a world of increased global interdependence, alliances and relationship will be judged on how strongly we are linked commercially. The US and India are well on the way to being one of the strongest commercial alliances"[14] said secretary Brown.

3 Ibid
4 Ibid

The mission aimed at looking to deepen going on ties with Indian market, pursuing joint ventures, or seeking to enter the Indian market for the first time. The business included major growth sectors including telecommunications, power generation, transportation finance, information technology and food processing.

On arriving in India, Commerce Secretary Ronald H. Brown, remarked at the Indira Gandhi international airport in New Delhi on Jan 14,1995 that, " it is truly an honour to have the opportunity to lead this Presidential Business Development Mission to India, one of the most influential and dynamic nation in the world and the world's largest democracy. With me are Chief Executive officers representing 26 firms in targeted economic sectors who seek trade and investment opportunities with this Big Emerging Market. In addition representatives of six federal agencies and my Department of Commerce are with us. Together we will be working with Indian officials and with private sector representatives to build on Indian bold economic reforms, to fashion a legal and financial environment even more conducive to long-term bilateral trade and investment. In strengthening United States – India commercial ties we will bring to the people of both of our nations benefits of increased trade and investment and provide a platform for closer political, strategic and cultural ties between our two nations. As Prime Minister Rao said last May during his visit to Washington, this is an unprecedented opportunity to look for areas of converging interests in the changed international situation and work together for our mutual benefit."[5]

The mission's activities began by marking the birthday of the Reverend Dr. Martin Luther King at Raj Ghat, the Gandhi cremation site. By this act, Ronald Brown, gave a very strong message of cultural bondage between India and United States. Giving further details about his missions activities. Secretary Brown remarked to the press "The delegation will have extensive meetings with Indian officials including your distinguished Prime Minister and conclude a number of important commercial agreements. While here, I will announce creation of the United States-India alliance, a working group that will bring officials and executives of both nations together to create opportunities for and remove barriers to a closer commercial relationship".[6] Further commenting Secretary Brown said " In Bangalore we will focus on the high technology future our two nations share, searching for ways to work more closely and more profitably together, perhaps over the global information infrastructure that will be in place in the near future. In Bombay, we will consider the challenges and opportunities in India's increasingly important financial service sector."[7]

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5 Ronald H Brown, Official Text, USIS, New Delhi, Jan 15,1995
6 Ibid
7 Ibid

Secretary Brown was of the impression that the sectors and agencies represented on this mission match United States expertise with Indian development goals: information, energy, infrastructure, agrobusiness and finance. " Our work this week and the work that will follow will mean jobs and development in both of our nations. But perhaps most important it will be part of a strong commercial platform upon which we can build a great new friendship between our democracies. No nation on the face of this earth offers more potential than does India,"[8] Secretary Brown remarked.

Diplomacy behind the Commerce Secretary Ronald Brown's visit deepens with the timing of the visit. The presidential Business Development Mission, visited India immediately after the launch of World Trade Organisation (WTO) on January 1, 1995. The Mission's objectives matched with those areas of clash between India and the United States in the Uruguay Round of negotiations. At the same time, India and the United States were on opposite direction on the matters of Nuclear test, especially the CTBT. America wanted India to sign the treaty and India refused, on the grounds of discrimination, The real loser was Indo-US business relations. All the efforts of commercial diplomacy by US Commerce Department, were under threat. President Clinton was in the last year of his first term and was serious about Indo-US commercial ties, for the sake of MNCs who were behind him in the run for a second term as president.

8 ibid

President Clinton's efforts towards Indo-US economic ties during his first tenure brought bright colours to Indian trade sectors. But there were still a few irritants which threatened to break the ties. The relevance of the Presidential Business Development Mission led by Secretary Brown can be better understood , by looking at the positive factors in Indo-US ties before the visit and more importantly of negative factors, during the visit. The mission's aim was to bring back the Indo – US ties on track. This was possible only by separating trade factors from strategic issues especially CTBT. Commercial alliance was a step towards this.

Trade Sector

India's overall exports during 1993-94 aggregated US $ 22.24 billion, registering a growth of more than 20 percent over 1992-93. India's over all imports during the same period were US $ 23.31 billion, registering an increase of around 6 percent over the previous year. India's trade deficit during 1993-94 declined to US $ 1 billion from US $ 3.3 billion in 92-93. During 1994-95 India's overall exports increased to US $ 26.26 billion indicating a growth rate of 18 percent over 1993-94. While its imports amounted to US $ 28.25 billion indicating a growth rate of 21.12 percent, trade deficit widened from $ 1 billion to $ 26 billion which was a matter of concern for India.

USA is India's largest trading partner accounting for 19 percent of the country's exports and over 10 percent of its imports in the year 1994-95. On the other hand, India accounts for only 0.6 percent of USA's total export and import . Thus there is enough scope for expanding trade with USA. Let us have a look at trade data between USA and India for the period before Secretary Brown's mission.

Indo-US Trade 1987-95
Table 3.1[9] (value in US $ Billon)

Year	Exports	Imports	Bilateral trade	Balance of trade
1987-88	2.252	1.544	3.796	+ 0.708
1988-89	2.574	2.237	4.811	+ 0.337
1989-90	2.687	2.559	5.246	+ 0.128
1990-91	2.673	2.923	5.596	- 0.250
1991-92	2.943	2.010	4.953	+ 0.933
1992-93	3.516	2.147	5.663	+1.369
1993-94	3.999	2.742	6.741	+ 1.257
1994-95	5.015	2.844	7.859	+ 2.171

It will be seen from the table 3.1 that the 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 percent growth over 1992-93, while imports rose by 27.71 percent in the same period in dollar terms.

9 Issues in Indo-US Trade & Economic Co-operation, IIFT,1995 page-110

India has been having a favourable balance of trade for the last one decade except for the year 1990-91. During 1993-94 the trade balance in favour of India was more than US $1.2 billion.

This trend had been improved in the year 1994-95. In dollar terms exports to USA have increased by over 25 percent, while imports have increased only by less than 17 percent during the period. Thus balance of trade with USA improved from $1.2576 during 1993-94 to $ 2.176, in 1994-95. India thus earned a significant amount of foreign exchange in its trading with USA.

During 1994-95, India's major items of exports to US were text tiles, and apparels diamonds , jewellery and precious stones, shrimps and prawns, cashewnuts , carpets, handicrafts, naphtha, dye stuffs, auto tyres etc. These factors indicate that India's exports to USA are not highly sophisticated and India was lacking somewhere in technological advancement.

Among the major items imported from USA at present are fertilizers, aircraft, turbojets, aircraft parts, machinery parts, malt extract, soybean oil, automatic data processing machines, electronic goods , wood pulp, parts of railway locomotives, etc.

The Raja Chelliah Committee report, accepted in principle by the Indian government, proposed further simplification of the import duty with the progressive reduction of import tariffs, to bring within the range of 5 percent to 30 percent on industrial imports and a maximum of 50 percent on consumer goods.

US Investments In India

Since the introduction of the programme of economic liberalization and restructuring in July 1991, there has been a strong surge in international interest in the Indian economy. The strongest manifestation of this interest has been the foreign investment in India in terms of foreign direct investment, USA has emerged as the leading country in terms of both commitments and actual inflows, UK, Germany, Switzerland, Netherlands, Italy and Japan are among the other leading investing countries. While investment commitments are spread across a wide range of industries, the major sectors are power , fuel and oil refining, chemicals, metallurgical industries, electrical equipment , food processing , hotels and tourism , transportations etc. The number of 100 percent foreign-owned companies after July 1991 to the beginning of 1995 was 158 involving an investment of 4976 crore(rupees). Out of these, USA alone accounted for 64 companies involving an investment of Rs.1846 crore Rs. Thus USA covered more than 40 percent in terms of number of companies while it has contributed more than 37 percent of the total capital.

Indo –US collaborations

During the period from 1991 to 1994 a total of 2972 technical collaborations and 2828 financial collaborations were approved. Out of these, USA accounted for 613 technical collaborations and 537 financial collaborations approvals. Year-wise details of total foreign collaboration approved and the share of USA in the same is as given in table 3.2

Table 3.2[10]
Indo US Collaborations

Number of Foreign Collaborations

Year app.	With US Firms			With all Countries			% share of total
	Tech	**Fin**	**Total**	**Tech**	**Fin**	**Total**	**%**
1991	124	53	177	661	289	980	18.63
1992	175	154	329	828	692	1520	21.64
1993	145	151	296	691	785	1476	20.05
1994	169	179	348	792	1062	1854	18.77
1995 (up to Jan.)	70	74	144	409	303	712	20.22

From the table 3.2 it is clear that USA has on an average provided one fifth of total foreign collaboration approvals.

10 Issues in Indo – US Trade and Economic co-operation , IIFT, New Delhi,1995 p-23

Foreign Direct Investments Approvals

Approvals for foreign direct investment proposals rose from $ 235 million in 1991 and $1385 million in 1992 to $ 2851 million in 1993 and further to $ 4523 million in 1994. Investments approved in 1994 includes 21 proposals for Global Depositary Receipts involving investments of $1577 million. Out of these approvals the share of USA as percentage of total direct foreign investment approvals works out to be more than 31 percent in 1992 and more than 39 percent in 1993 and 24.5 percent in 1994. Details are given in table 3.3.

Table 3.3[11]

Year	Investment (with US) ($ million)	Approved (in Rs) (millon)	(in US $ Million) with all countries (US$)	(in Rs)	% of total
1991	81.91	1858.5	235.40	5341.1	34.80
1992	438.69	12315.8	1384.85	38875.4	31.68
1993	1114.09	34618.8	2851.13	88593.3	39.08
1994	1111.91	34880.9	4522.72	141877.6	24.50
1995	551	17302.40	1785.83	56057.3	30.8

Thus the trend of foreign direct investment coming to India with increasing amount and the lion's share accounted for by USA has been maintained till date.

11 Ibid

A study of foreign collaboration with US companies shows that collaboration/investments have been dominated by fuel financial & non-financial services and electrical equipment sector. Important sectors in which foreign collaborations with US companies have been approved are given in table 3.4.

Table 3.4[12]

(***Amount in $ Million***)

Sector	1992	1993	1994
1.	2.	3.	4.
1. Metallurgical Industries	8.09	4.41	21.82
2. Fuels	171.02	616.14	616.95
3. Electrical equipment	44.83	149.09	58.65
4. Industrial Machinery	1.67	12.09	2.55
5. Chemicals	51.94	47.92	3.79
6. Food Processing Industry	39.10	76.80	20.03
7. Rubber Goods	------	15.42	07.19
8. Services	12.88	144.43	218.96
9. Telecom	5.65	0.13	0.32
10. Others	103.51	47.66	161.65
Total	**438.3**	**1114.09**	**1111.91**

12 Ibid

Names of some of the US companies investing in India in the post policy period are IBM, GE, Motorola, ST Power System, Enron. Cogentrix, Ford, Pepsico, Gillette Proctor & Gamble, General Motors, Coca Cola , Mcdonald, AT&T, Stanley Morgan. Kelloggs. Caltex, Huges Network System, Bechtel, etc.

The latest trends of foreign investments are both positive and encouraging. There has been a significantly increasing interest of foreign investors in this country. During the post-policy period (August 1991 to January 1995) total foreign investments approvals amounted to Rs.35000 crore and it is heartening to note that approvals during the first five months of the 1995 are nearly 16 times of the approvals for foreign investment in the year 1991. There has been a similar trend in actual inflow of foreign investment. During the first 5 months of 1995, actual inflow of foreign investment amounts to Rs.2860 crore which is a significant percentage (over 33.06%) of the total inflow of Rs.8650 crore in the post policy period.

There is still enough scope for the further deepening of Indo-US economic ties. As mentioned earlier, India accounts for only 0.6 percent of USA's trade. Thus India is a country of microscopic significance for USA while USA is the most important player which can virtually decide the course of Indian external sector. Under such uneven distribution of economic muscle, USA can easily dictate terms to India and at the same time disregard India's terms. India therefore has to be careful while deciding terms with USA.

Big brotherly attitude of USA and India's apprehensions were the major obstacles in Indo - US trade, when Secretary Brown led the mission to India. The aim of the mission was to bridge the gap between positive and negative factors of Indo-US trade.

A few irritants – either in-built or ad-hoc- which emerge in the commercial exchanges between the two countries are:

(a) While a developing economy such as India has opened up and liberalised its trade and industrial policies, it is ironical to note that the protective provisions of the Omnibus Trade and Competitiveness Act of 1988 still hang as Damocles' sword on the Indo-US commercial relations. The US administration is reflected with a large number of regulations-taxes, policies, licences and mini Americans which act as a deterrent. For instance. Section 301 provision of the trade Act of 1988 empowers the United States Trade Representatives (USTR) to name any trading partner as unfair trade practitioner if in the opinion of the USTR, the trading partner is actually found to engage in either subsidizing the product or selling the product below the cost price in the US. The USTR invokes unilateral measures like levying carrying of anti-dumping duties or countervailing duties, which act as deterrents in smooth trade flow. Besides, based on recommendations of US International Trade Commission, the US government resorts to invoking special 301 on the plea that a trading partner has not been providing adequate protection to intellectual property rights.

Consequent on the agreement on hormonisation of trade related intellectual property rights, the US should resist from invoking unilateral actions through special 301. Secondly, the US government has been attaching importance to social dumping under which low wage products, emanating from developing countries and those products violating human rights are not provided easy market access. It would be advisable for the world trading system to confine to trade related issues and leave the socio-economic problems to the other UN agencies.

(b) As a signatory to Marrakesh, the US also has to observe Article VI of WTO for implementing antidumping provision. Rules have been layed and unilateral action is prohibited. It has however, been observed that the US has been indiscriminately resorting to antidumping provision taking into account the free market forces operating in world trade.

(c) Insistence of local content requirement originating and products coming from outside, NAFTA.

Insistence of local content requirement upto a specified percentage by the US deprive comparative advantage of Indian products. Moreover the minimum floor prices are often fixed by the US which adversely affect the competitiveness of imported goods. The US demand for managing the trade with countries like Japan under the Structural Impediment Initiative goes against the canons of free and fair trade.

(d) Improvement of GSP in the changed context of GATT agreement. Of late, there has been discussion whether or not the GSP, scheme of unilateral and non-reciprocal tariff concessions extended by the developed countries should be continued in the light of considerable reduction of tariffs under the agreements of the multilateral trade negotiations conducted by GATT/WTO. It has been observed that GSP has been assisting the developing countries in promoting their manufactured products.

(e) Frequent reliance on non-tariff barrier like import licensing, quota restrictions, orderly marketing arrangements and voluntary export restraints.

f) Invoking human rights issues which is outside the purview of WTO.

With these factors working to threaten a smooth functioning of Indo-US trade, Presidential Business Development Mission led by Secretary Brown was visiting India. Their aim was to separate commerce from other issues, a clear Business-to-Business negotiation strategy and forcing government to be a mere facilitator and spectator of this trade game.

On the morning of January 16,1995, Commerce Secretary Ronald H. Brown addressed a breakfast meeting with the New Delhi American Business Council. During the meeting, Secretary Brown expressed the view that, the government agencies in the team represent the full spectrum of Indo-US relationship. "It is a team able to address virtually any issue that might come between US and our economic goal. Clearly, the Clinton administration is acting as rapidly as effectively as we know how to shape our relations into a warm and lasting friendship and most importantly into an enhanced commercial interaction. Obviously this efforts begin with commerce. That our shared economic goals are the best platform on which we can build a closer, more mutually beneficial relationship. India is really a natural commercial partner for the United States,"[13] Brown said. He continued stating that he would like to think of the era that has just ended as an era of lost opportunity, the era that begins with this mission is an era of opportunities taken advantage of, keeping in view the obstacles between Indo-US trade, he stated that, trade and commerce is a two-way street.

13 Ronald Brown, Official Text, USIS, New Delhi, Jan 17, 1995

"The way it works best is if it is beneficial to both the United States and India. We believe that to be the case and that is why the mission is so committed to pursue the goal that has been laid out by the mission," he further remarked.

To accentuate and accelerate bilateral trade and investment, the Department of Commerce will strengthen and expand its staff and operations in India offering even more vigorous programme of trade promotion, declared Secretary Brown. He reminded that last year the Commerce Department opened a TRADE ASSISTANCE OFFICE in Bangalore, India's emerging high-tech region. He also announced that later in January, Commerce Department will sponsor an insurance sector delegation that will travel to Bombay followed by a telecommunication delegation. One of the aims of the current mission was to open up the India's insurance sector, telecommunication, power generation and agrobusiness.

Later in the day, Secretary Brown, and his Indian counterpart , Pranab Mukerjee announced the much awaited **United States - India Commercial Alliance**. The new commercial alliance is a flexible means for bringing together business and government representatives from both countries to find ways to speed up commerce between the two nations. It focuses on Indo-US commitment to a public private partnership. "The fact is that in the close of twentieth century and the beginnings of the twenty first century, it is hard to imagine not being able to engage in commerce without there being a public private partnership, without government and business working closely together, and the private sector obviously leading way, as they should. But with those of us in government moving forward, standing shoulder to shoulder with the private sector, so that we can be better and more effective partners than moving towards enhanced commercial activity and economic growth. Our challenge is really to bridge the gulf between the constrained commerce of the past and the promise of the future".[14]

Later on speaking at the United States- India Commercial Alliance Conference Plenary Session, Secretary Brown expressed that, "this signals the beginning of an effort that will assist to strengthen the ties that we seek to strengthen. The new commercial alliance is an effort to find a new and flexible means of bringing together government and business. It seems clear to me that whether or not this alliance succeeds depends on each of us and our willingness to do just a little more than the otherwise might have done. It calls upon us to be creative. It calls upon us to be aggressive. It calls upon us to be disciplined as we move forward. It calls upon us to develop new approaches and to make a new commitment to the task of building the commercial linkages between the United States and India."

14 ibid

The alliance, we believe, is a unique opportunity. Unique in that it will foster a new dialogue involving both government and business that will help us to identify promising areas of growth, promising projects, and promising sectors for cooperation. I don't think that there is a more important relationship to be developed than the relationship between the public and private sectors. When you come to grips with the implications of the globalization of the economy, you must conclude that, that kind of partnership, that kind of an alliance, that kind of redefined relationship is absolutely essential." [16]

The plenary session was a discussion forum for the understanding, implementation of the Indo-US commercial alliance. It was also intended to use for the first of a series of opportunities for the US and Indian business executives to become more acquainted with each other. Business often takes place in an environment where there are personal relationships built, where there is a feeling of mutual confidence and mutual respect and mutual trust. The session intended to provide opportunities for Indian and American business executives to discuss ways in which both governments could improve the climate for bilateral commerce.

Defining the role of government in this set up, the real feature and diplomacy involved in Brown's mission was revealed.

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15 Ibid
16 Ibid

The role of government was to be a supportive role of encouraging our respective, private sectors and trade associations in this endeavor. It was really a facilitation role facilitating and assisting, business groups efforts, as they carry out missions, conferences, seminars, and other events that they believe may be worth while in advancing trade ties and business relations.

Since the private sector handles sales and projects and investments, it provides substance to Indo-US commercial relations. There it is appropriate that business organizations really play the leading role, that they drive the agenda of the alliance. They know their member companies and the kind of activities and forums that will spur interest in United States-India trade and commerce. It was expected that the Indian and United States business organizations will combine efforts in the form of business alliances to undertake their activities.

Within the next ninety days, from the commencement of alliance, it was expected that the participating United States and Indian business organizations and trade associations will develop work plans for the individual alliance in the next two years. Whenever the private sector believes that a particular event would benefit from the presence of Indian or United States government officials, both United States and India agreed to provide the appropriate officials or to be there by itself. From the tone of the agreement it is clear that, in the first phase, US government through its commercial Diplomacy acted as an agent on behalf of US firms and negotiated with Indian business directly & established Government-to-business negotiations. In this phase, both the governments have agreed to be just facilitators and intervene, only if it makes sense, establishing business-to-business negotiations. Following each event, the event's sponsors were asked to provide the Alliance Board with a report describing the activities and its results, and any issues that the Board may wish to discuss or try to resolve. ' Indo-US Alliance was not a shadow organization, but an organization of substance which aimed to provide an institutional framework through which both countries could achieve their goals.

The Alliance Board was to consist of the Minister of Commerce of India, Secretary of Commerce of the US and their designees and other officials as appropriate-and most important, representatives from each of the participating business organizations. The plan was for the board to meet at the end of the first year of the activities and then, again at the end of the second year. During these Board meetings review of the activities of the business alliances and the recommendations emerging from them would be undertaken. Secondly the board will also enable all the participants to determine whether the Alliance has served be modified or a new concept should be developed.

Both of US and India are need to be willing to do a whole lot of new things to meet new challenges. The work of the Alliance should be approached in the same way. It was meant to be flexible. Board was not supposed to be a burdensome new structure. Indian and United States business organizations and trade associations already have agreements and structures in place. The new activities carried out under the Alliance was to strengthen these already existing bonds. The Alliance was termed successful, because, both the governments turned to the private sector-to express their points of view, to try to drive the policy-making process. It should not be the government officials who sit cloistered and make policy decisions without any kind of contact with those who are out there everyday trying to make business and commerce work. So the Alliance Board was to listen to private sector, to pay attention to what they have to say, to develop a policy for the future, based on real experiences.

Hope was also expressed that the Alliance would be a learning experience for everyone, that it would emerge from the next two years with new commercial ties between companies, with new insights into what is effective in business development, and with new understanding of what is needed from the private sector and from government to achieve a new era in India-United States commercial relations.

When Prime Minister Rao visited Washington last May, he and President Clinton called for a new partnership between India and the US. They agreed at that time to work to remove the existing impediments to bilateral commerce. The Presidential Business Development Mission has taken both the countries further down the road.

It was also assured that, the Commerce Department and the entire Clinton administration, the entire US government, would be giving India more attention, the attention that India deserves. The strengthening of the Commerce Department's foreign and commercial service presence here in India was assured to do a better job of identifying opportunities and of assisting American companies to explore and expand business in India. The result was the establishment of "Commercial Service Centers" all the major cities of India to coordinate the work.

Later in the day, Secretary Brown and his mission team met Communication Minister Sukhram. Brown expressed that it was up to those in the government to set parameters that encourage investment, competition, interoperability and access. "United States, Secretary Brown remarked, "Obviously is interested because we want to see how our national information infrastructure become a global information infrastructure in a way that can tie us all togethe."[17]

17 Ronald Brown Official text, USIS, New Delhi, Jan 16 1995

It was to ensure that American firms are able to participate in the expansion and moderation of India's telecommunications network which was one of the Commerce Department's and the entire US administrations highest priorities in India. (Secretary Brown also met Power Minster N.P.K. Salve.)

Before departing to Bangalore, on January 17,1995, Secretary Brown had a meeting with Commerce Minister Mukherjee and signed several MoUs. He also had a meeting with Finance Minister, ManMohan Singh and expressed the need for financial sector reform. Later on in the day, he addressed, significant commerce associations and chambers like CII,FICCI,ASSOCHAM, signaling the importance they share in US vision towards India.

On the evening of January 17 in New Delhi, Brown did something no other visiting foreign government official has ever done in India before. He held a "Town Meeting" at the Indian Institute of Technology (IIT) auditorium, answering questions from an audience of students, professors, small business entrepreneurs, social activists and others. Sponsored by the Confederation of Indian Industry and the US Information Service , the meeting was televised live by Doordarshan. While answering to a question, Secretary Brown said. "It is impossible in the world as it is today, to keep everything static, to maintain the status quo. The status is not an option."[18]

18 Ronald Brown, SPAN, February 1995, Page -44

On arriving in Business Council Bangalore, he addressed the Bangalore - American Breakfast meeting. He met the Chief Minister Devegowda, held a round table discussion on technology with businessmen. and spoke to students of the Indian Institute of Science.

Secretary's mission signed contracts or agreements totaling more than $7000 million with the Indian organizations in the fields of power, telecommunications, health care, environment, petrochemicals, insurance, and financial services. Some of the deals were:

1. Mission Energy and Tata Iron and Steel approvel a $400 million agreement for 300 megawatt power plant in Bihar.

2. Officials of the Enron Corporation, the Export-Import Bank of United States and IDBI signed agreements for a power plant in Maharastra.

3. Officials of Cogentrix Energy and several US and Indian companies signed MoU in connection with fly ash utilization facilities.

4. Light Helicopter Turbine Congine, a partnership of Allied Signal and Allison Engine, agreed to provide turboshaft helicopter engines to Hindustan Aeronautics.

5. Modi Enterprises and Qualmum established a joint venture to bid on basic services telecommunication licences.

6. Minister for Communications Sukhram and Jack A. Shaw, CEO of Higher Network System approved a $5 million contract to assist in building and operating a very small operator Terminal (VSAT)

7. Telecommunication Secretary R.K. Takkar and US West CEO Richard D. McCormick, approved a $100 million pilot project to provide India with its first non-government operated telecommunication service.

8. Motorola CEO Garg L.Tooker signed three letters of Internet to build cellular telephone networks in Bombay, Calcutta and Delhi.

Secretary Brown, left India with a satisfaction of mission accomplished. He had set the clear tones for the coming US-India commercial ties and very subtly advised Indian Government to withdraw from its involvement in any of the areas concerned to private sphere. A new year Bonanza for the Indian business houses.

Chapter-III

The Role of Indo-US Joint Business Council

"We cannot afford to let our differences define our relationship"[1]

The Asian drama continues, a drama of swift change, a drama of self discovery and, of self assertion. The Asian dilemma also continues, the dilemma of modernization without sacrificing, what is valuable in our tradition. The essential Asian challenge lies in reconciling change with continuity. We have much to lose from war. We have much to gain from sharing.[2]

The above statements define the need for progress of Indo- US commercial ties. In the previous chapters, the relevance of United States and US-Indian economic relations from the American perspective is given. But, how did Indian business community react? What steps were taken by them to match the US aspirations ? The current chapter is an attempt to throw some light on this aspect.

Family- run businesses are not unique to India. A large number of small and medium sized enterprises are family-owned in the US and Europe. Big names in the US. such as Cargil, wrigleys and Mars are even today family-controlled. According to the last count In India 461 of the most valuable 500 companies were family -run businesses.

1 Frank G Wisner, , SPAN, August 1995
2 Eric Gonsalves, Rajiv Institute of Contemporary Studies, Project no. 16 1991 p26

According to Business Today family-run business accounts for 25 % of India inc's sales , 32 % of profits after tax, almost 18 % of assets and over 37 % of reserves. However, in recent times market capitalisation of these companies has been crashing down.

The nineties are full of examples of respected names of the seventies and the eighties sliding down the top 100 rankings. The Bangurs, Mafatlals, Walchands, Singhanias, Modis are all on the decline today. Even Birlas Century Enka, Wadia's Bombay Dyeing, Tatas Voltas and several Thapar companies have been forced out of rankings.

Coimbatore, which was seen as a great example for the entrepreneurial spirit of south India, is a town in shambles today. Many family business houses have also split up in the last two decades. Again, these include illustrious names such as the Birlas, Sarabhais, Shrirams, the Goenkas and many more. Even some of the newer groups such as Ranbaxy and Apollo Tyres could not escape it. Only exceptions to these trends have been the southern industrial families.

The family business in India is at the crossroads today. There is a crisis of leadership. The families which had shown exceptional entrepreneurial ability during 50 years of a controlled economy have to suddenly adapt to entirely different circumstances.

The opening up of the economy, the subsequent competitive pressures, the arrival of the global players, the changing world economic scene under the WTO, have taken their toll all had their impact. The changes have been swift and brutal.

What are the issues confronting Indian family business today? Can family run businesses survive global competitive pressure? Can they deliver the goods in a global scenario? Can they separate ownership and management? Before going into some of these issues look, a at the past is necessary. Indian business families started as manufacturing outfits, says Mr. M.V. Subbiah, Chairman of the Murugappa group. " The family structure was often the mirror image of the organisational hierarchy in the enterprise. Objectives of both were defined by traditional values and ethics."[3] Families then moved on to the managing agency system, which gave them a broad perspective on the conducting business.

The character of the Indian family business changed during the post-independence period. According to a study conducted by economist, Mr. R.K. Hazari, Indian business at the dawn of independence was in the hands of just 18 Indian families and two British houses. The companies by present day standards were much smaller in size and much less complex.

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3 Mr.Subhaiah, The Hindu 3 February 2000

Says Mr. Dwijendra Tripathi, Ahmedabad based economic and business historian in an article in Seminar, magazine. " The controlling families, needed little outside financial contribution to conduct their affairs,"[4] He points out that within a decade of Indian freedom three major developments disturbed this tranquil position.

The first was the opportunities, which opened up when the Government decided to build the industrial infrastructure for the new nation. The second was when both the central and state governments set up a number of financial institutions to provide finance to the private sector. The third was the appearance of tensions in the joint family system.

Business historian Gita Piramal calls the period between 1947 and 1967 "the golden period of Indian enterpreneureship". This was when G.D. Birla built Grasim and Hindalco. The Tatas doubled the capacity of the TISCO. The TVS family built up top quality auto components units. In Coimbatore, G.K. Devarajulu set up a world- class international textile, and east of India took over the under-capitalised businesses the British had left behind and turned them round to success. The Goenkas came into their own by a acquiring Duncan and Octavious steel. B.M. Khaitan bought up tea estates and engineering companies. The Tatas also took over several companies.

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4 Dwijendra Tripathi, SEMINAR, Vol 35, Page 10, Sept 1999

The seventies was the era of sleaze. The License Raj was truly established during the Indira Gandhi regime. The government placed a lot of irrational restrictions on business, says Gita Piramal, " The law was so draconian that. J.R.D. Tata once complained that if he went abroad and offered a customer a cup of tea he could be hauled up under FERA ." [5] Taxation laws, inheritance laws, labour laws, land holding laws to name a few, were crushing the businessmen. This led to promoters paying themselves very little and making the company pay for all kind of perks . They did tend to under declare income, not to pay taxes and to siphon off money. Consequently, Indian family business assumed derogatory overtones in the general public mind. It was the businessmans closeness to the powers that be in New Delhi, rather than his ability that was important .

As the avenues of growth were being closed, the age of the predator dawned. Businessmen such as the chchabrias, the Goenkas and Vijay mallya were picking up available companies aided and abetted by powerful friends. Managing the environment became important. Mr. Dhirubhai Ambani excelled in this. He understood the system and its loopholes and learnt to exploit them. Most southern business families did not master takeover strategies nor understand how to get close to Delhi.

5 Gita Piramal, Indias Industralists (Vol –1), New Delhi,1993, P-36

This was where Indian industry stood in 1991 when the rules of the game changed suddenly. The Narasimha Rao government decided to open up the economy. The cracks in the Indian business became visible. With a few exceptions, Indian business families were not in a position to face the reforms. They were a product of the controlled economy. They lacked focus as many of them had gone into unrelated diversification in the pursuit of available licenses. Many lacked resources, technology and world class size and products. The gradual disappearance of import controls, the reduction of tariffs and the emergence of true competition with the entry of international companies shook them up.

The last few years have been trying times for even the venerable Tata group. Its star performers Tata Engineering and Locomotive Company and Tata Iron and Steel Company have taken a beating in the stock market. The group's market capitalisation has fallen by an unbelievable 64 % in the last four years. The Aditya Birla group has seen a drop of 66 %. Says Gita Piramal, "Today status, wealth and power are derived from association with a well-managed company and not from being an industrialist. Only if your stock price out performs the sensex do you get respect from your peers and society."[6] Mr. N. Narayanamurthy of Infosys is without doubt the most respected businessman in the country today.

6 Gita Piramal, The Hindu, 3rd February 2000

The foreign institutional investor has also brought some dramatic changes in the way the business families think. In many instances now, foreign portfolio managers have more of the companies' shares than the promoters themselves. For the first time the promoters find the investor demanding and questioning. Today the stock market makes a company perform. If it does not do so there will be a steep fall in its market capitalisation.

In the many adjustments business families have had to make in recent years, the most significant may be understanding and accepting shareholder value. Studies on the rate of return achieved by the Indian family-run companies reveal a dismal picture. Almost a third among them are earning less than the cost of capital they use. The new mantra today is corporate governance. Balance sheets have to get more transparent. Markets have become so competitive that one can no longer siphon off sales, commissions and profits. Businessmen can no longer push up the price line to do this. Then they can't be competitive in this tough market and their market valuation suffers.

To give them credit, many business houses are waking up to the new realities. They are learning to focus on their core businesses. The days of unrelated diversification are over. They are getting out of activities which do not fit into their strengths. They are selling out to their joint venture partners if they do not think they are bringing any value to the partnership. The Tata group has got out of its joint venture with IBM. TISCO sold out its cement unit to the French giant Lafarge Young Mr. Kumarmangalam Birla is working hard on reinventing his vast empire, on building up on business he is already dominant in and is getting rid of the flabs, the excess baggage. The Thapar group is also learning to refocus on its core activities.

Even more important many families are now serious about professionalising their management. They are slowly coming round to accept the ideas that ownership doesn't give them the divine right to mange. They can no longer accommodate every brother and cousin in the business.

The compulsions of competitiveness are now leading to appointing the best professional manager rather than an offspring to head the company. Pervinder Singh of Ranbaxy Laboratories, before his untimely death decided that a professional manager Mr. D.S. Brar and not his sons should succeed him as the CEO of the Rs. 1,200- crore company. Eichers Mr. Vikram Lal decided long ago that he will keep his family out of his business. The Dabur family has also appointed professionals to head the company and handle key positions. The Murugappa group has gone one step further. The family has decided to step out of day- to day management and play the role of investors and mentors. These are a few examples and the list is not exhaustive.

The business families are surely in a stage of transition. They have to sink or swim against the tides of globalisation. The next few years may be gruelling. But out of these difficult days may emerge leaner, meaner and highly professionalist family owned companies. Mr. Azim Premji of Wipro whose market valuation has reached stratospheric heights, owns 88.55 % of the company equity. Therefore, to write off the Indian family business does appear rather premature and unwarranted.

The role Joint Business Council plays as a mirror of Indian business houses is commendable. The JBC has played a role of a shock-absorber between controlled economy and open economy, in getting the due share for Indian business houses, under the competition from foreign companies, especially MNCs.

This chapter is an attempt to trace the role of JBC. JBC in the early years of reforms, took vehement stand in favour of government interference to provide a ' level playing field' for Indian business houses. It was an attempt in getting the space to warm up towards the change unleashed by globalisation. JBC acted here merely as a facilitator. As the Indian business houses started adopting the new rules of the game, JBC forced out

The government and played a prominent role as negotiator. This growth of JBC from facilitator to negotiator is traced here.

Origin Of Indo - US JBC

On october 28,1974, an agreement was reached between the government of India and the US to establish an Indo-US Joint Commission to explore the possibilities of fostering mutually advantageous cooperation in specified areas. The Joint Commission set up three sub-commissions on economic and commercial matters, science and technology, and education and culture.

At the meeting of the commission held in Washington on October 6 and 7, it was agreed among other things. " To proceed with the establishment of a Joint Business Council bringing together business leaders of both the countries."[7] The Commission recommended the setting up of a Joint Business Council and noted that the Chamber of Commerce of the United States and the Federation of Indian Chambers of Commerce and Industry(FICCI) together with organisations from the Indian public sector had agreed to participate.

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7 Report of Ministry of Commerce, 1975, GOI,New Delhi, P-38

The Indo-US Joint Business Council has been conceived by the two chambers to provide a regular and recognized channel for discussion of trade investment and commercial relations by the business leaders of the two countries.

The council would help

- Ensure high-level mutual awareness of bilateral relations by the business leadership of the two countries.
- Stimulate, broaden, and facilitate business relations and contacts between the two business communities.
- Serve as a forum to discuss, to propose and to provide solutions to problems which inhibit, more extensive trade and investment between India and United States, and
- To provide the economic and commercial sub-commission of the indo- US Joint Commission with recommendations to improve the overall economic and commercial relations between two countries.

The Federation of Indian Chamber of Commerce and Industry- (FICCI,) is an entirely private organisation and acts as an interface between government and business. With the move towards globalisation of our economy, FICCI aims at enhancing Indian industry's international competitiveness and has undertaken inculcation of the TQM- total quality management-concept as an important mission in that direction. Its informatics network is also being upgraded to meet the increased needs of Indian and foreign entrepreneurs. The international face of its services is provided by the Joint Business council, in which FICCI and ASSOCHAM together have teamed up with corresponding institutions abroad. Forty five country specific JBCs are already in operation, including one with the USA.

The Federation of Indian Chamber of Commerce and Industry – FICCI, as an apex body of Indian business houses, adopted the nationalistic perspective from its inception. The role of Birlas and Goenkas in Indian political life, reflected in the thinking of FICCI. Naturally FICCI always enjoyed the blessings of Indian government. This was the reason, for FICCI's initial negative reactions to the opening up of economy. But the hidden agenda was to buy time and prepare local business to be competitive. FICCI played a constructive role in getting the government to go slow, inspite of US firms urgency. When the whole United States government was preparing itself to carry out its " commercial diplomacy" agenda, FICCI was asking Indian government to go slow.

As a first step in the process of educating Indian business houses about business with US firms, FICCI in association with US Commerce Department and others, organised a programme called LEXPO '93.[8] Legal exposition, was a workshop on legal and financial aspects of doing business in India and the US. The workshop was organized between 6-8 February, year in New Delhi. The American Bar Association, the Associated Chambers of Commerce and Industry of India (ASSOCHAM) ; Bank of America, the Bar Association of India, the Bombay Law Society, FICCI, Indo-American

8 Lexpo 93'–US & Foreign Commercial Service, India, 1994, New Delhi

Chamber of Commerce, the Institute of Charted Accountants of India, the Institute of Company Secretaries of India, the Institute of Management Consultants in India, the US Department of the American Embassy in New Delhi, India and the US-India Business Council of the International Division of the Chamber of Commerce, participated in this workshop. The workshop, extensively dealt on doing business in India and US, mainly start-up the phase, operational phase and winding up phases and legal financial aspects . Over 560 delegates were Indian business executives, advocates, Chartered accountants, Company Secretaries and management consultants. Twenty-two of the forty distinguished speakers were from India and these included a several high level Indian government officials. " It is at this economic activity that professionals prove their worth by serving the interests and reaching the objectives of their clients," [9] said Kenneth, C. Brill. Thus, JBC and FICCI were involved in leveling the field when US MNCs were on full swing when the stage was for government –to - business negotiation strategy. JBC also brought in the Indian government to the forefront to stall the open market onslaught, maintaining. Government – to - Government negotiations.

In 1994, JBC, pressurized Indian Prime minister to visit United States. JBC, which now consisted of a more confident Indian business houses,

9 Kenneth C Brill, Lexpo 93, , New Delhi , P-03

wanted the Indian PM to invite the US firms to India. This was to signal the preparedness of Indian firms to go direct on to US business firms.

In 1995, responding to Prime Minister Rao's invitation, Presidential Business Development Mission visited India. Commerce Secretary, Ronald. H.Brown along with 25 CEOs toured India extensively. JBC and FICCI hosted the events. JBC took the first leap from its position as facilitator. To a more active role. JBC facilitated the establishment of "Indo-US commercial alliance". This was a Business- to – Business, arrangement, where government became a facilitator. Indo-US commercial alliance became a wing of FICCI'S international division, along with JBC.

In 1996, the role of Joint Business Council, became important and challenging. In the Center, United Front Government, a coalition government assumed office, giving a strong instability signal to global investors. The presence of Communist Party in government, threatened the future of reforms. Luckily the Finance Minister, Chidambaram, was a man of promise and commitment towards reforms. The JBC had to play a very encouraging role to instill the faith in global investors. In America, Clinton's run for second term, gave much confidence to JBC to play a bridging role.

Joint Business Council, took the center stage, by organising its 19th meeting on December 6, 1996 in New Delhi. The Indian delegation was led by Mr. R.P. Goenka, Chairman, Indian section of the Indo-US JBC with Mr. N.Sankar co-chairman as the co-leader. The US side was headed by Mr.

Howard Clark, Chairman US-India Business Council. Mr. Tejendra Khanna, Commerce Secretary(good of india). GOI. Special, breakout sessions were organized on three thrust sectors, namely, financial services and insurance, energy, and transport and infrastructure. The key note addresses at the breakout sessions were delivered by Mr. Montek Singh Ahluwalia, Fianance Secretary, Mr.P. Abraham, Power Secretary, and Mr. S. Sunder, Secretary, Ministry of Surface Transport . In order to address the issue of inducting the new technologies and its impact on work force, a panel discussion was organized on the subject of " Operating in India – Human resources and development, integrating the latest technologies in Indian market". The meeting provided an excellent opportunity to the US delegation to interact with the leading Indian businessmen, key ministers and bureaucrats engaged in Indian policy making in sectors of interest to the US delegation.

A day prior to the meeting, i.e. December 5, 1996 the JBC Secretariat in Delhi organized courtesy calls by the US delegation on MR. P. Chidambaram, Minister of Finance, Mr. Murasolimaran, Industry Minister, Dr.S. Venugopalachari, Minister of State for Power and Mr. N. K. Sinha, additional Secretry to the , Minister of Finance and others.

Welcoming the delegates, Mr. R.P.Goenka, Chairman Indian section, Indo-US JBC, pointed out that the business relations between the two countries were growing every year. Indo-US trade had increased by 17 %

and crossed US$ 9 billion mark. The new government was keen to mobilise at least $50 billion in foreign direct investment in the next 5 years. He appreciated the US concern on updating of patent laws, improvement in infrastructure and reduction of fiscal deficit of India.

Mr. Howard Clark, chairman US section, US-India JBC, in his address stressed that their visit was part political, though in a bilateral sense. The US delegation was keen to be in New Delhi in view of the presence of the new government at the center. He stated that the policy dialogue between India and US was getting more focussed especially in the power sector, which was also identified as the priority by the United Front government. Last year, finance secretary, at the JBC meeting had proposed opening a dialogue on the insurance sector. Thereafter, multilateral insurance working group, (MIWG) had been initiated under FICCI.

Regarding IPR, he felt that , IPR should not be viewed as a mechanism for protecting foreign patents, but could be useful for protecting India's products of competitive value such as software. Movies, pharmaceuticals and scientific research and development. He suggested that an education process on benefits of IPR should be initiated. Mr. Clark emphasized the need for faster implementation of the project. Success on a few projects would encourage others to begin. Mr. Tejendra Khanna, Commerce Secretary, in his special address, assured, the US businessmen that the government was aware of US concern on patents and political education process was going on in the government.

Mr. Frank G. Wisner, the US ambassador in his remarks, mentioned that, re-election of the president ensures a steady US approach on India and the US enterprises would enjoy full support of the US govt. for their presence in India, as it was a market of particular promise. He assured that the recommendation made by the members of the Indo-US JBC would be fully aired by him at the ensuing meeting of the Indo-US sub- commission scheduled two weeks later.

Mr. N. Sankar, co-chairman, Indo-US, JBC, in his remarks emphasised the role of a constructive debate on various issues in Indo-US business relations. He however struck a note of caution, when he remarked that " India had to move much faster but the giant country that India was the speedier movement must not cause unbearable pain to the people of the country".[10]

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10 JBC Report of 19th meeting, Dec 6 1996, New Delhi P -8

The concurrent session on financial services was chaired by Mr. M.K. Khanna, managing director. UTI Securities Exchange Ltd. from the Indian side and Mr. Peter Howell, group marketing executive(Asia), Citibank, from American side. The Key note was given by Mr. Montek Singh Ahuwalia, finance secretary, Government of India. About insurance sector, Mr. Singh informed that, the bill for giving statutory powers to Insurance Regulatory Authority will be tabled in the on- going parliament session, as a step towards, liberalising the Indian insurance sector. However, GIC and LIC will continue to remain in the public sector. The Multilateral Insurance Working Group (MIWG), formulated by FICCI, was to provide a forum for discussion while enabling the to domestic and foreign insurance companies to interact with the government and Insurance Regulatory Authority.

The session on energy sector, was chaired by Mr. D.V. Kapoor, Reliance Power from the Indian side and by Mr. Robert Roemer, vice president, Stone & Webster Engg, Corporation from US side. The key note address was given by Mr.. Abraham, power secretary.The special session on transportation and infrastructure sector was chaired by Mr. Sushil Ansal, chairman, Ansal Properties & Industries Limited from Indian side and by Mr. Keith Thomson, president, Flour Daniel Inc. from the US side. The key note addressed by Mr.S. Sunder, surface transport secretary.

Indo – US Joint Business Council took a lions share in providing breathing space for Indo-US commercial relations in 1996. In the backdrop of a political uncertainty in India. The mission didn't stop there...

In 1997, again JBC played a very active role.

The Indo-US JBC organized an intensive interaction between the members of the US-India Business Council (USIBC) and the Indian private sector companies, commercial banks, parliamentarians and policy makers on March 31 and April 1 1997. At the luncheon, held on March 31 , the Indian private sector companies discussed critical issue in the power sector with their counterparts. Mr. P. Murari, adviser to the president, FICCI chaired the meeting. The important issues such as establishing an effective competitive bidding procedure, streamlining of clearance process and clear-cut national level fuel management plan were discussed. Later in the afternoon an interactive meeting was organized with the Indian commercial banks and financial institutions on possible financing structure for power projects. Representatives of IFCI, IDBI, national and foreign banks were present. The Indo- US Joint Business Council organized the US investment summit: 'The Emerging East' on December 10-11, 1997 in Calcutta. The Indian delegation to the meeting was led by Mr. R.P. Goenka, chairman Indo-US JBC, with Mr. N.Sankar, co-chairman, JBC as the co-leader Mr. Howard Clark chairman, US India business council, the US side. Besides the summit was attended by a 56-member delegation from Bangladesh and a 15-member delegation from Nepal. Jyoti Basu, Communist Chief Minister of West Bengal also addressed the meeting and expressed the need and desire towards industrializing Bengal, a big feather in the cap of JBC. Mr. William Daley, US Commerce Secretary, Mr. Kamaltapa, Foreign Minister of Nepal and Mr. Tofail Ahmad, Commerce Minister of Bangladesh, shared their views.

Trouble Times (1998)

Another elections and BJP, a more nationalistic party coming to power in New Delhi, put the Indo-US commercial relations in troubled waters. The experiences of the Enron company in Maharastra at the hands of this BJP, Shivsena combine, was enough to bring down our sensex, as they rose to power. The trouble was also serious, in the backdrop of a nuclear strategy by BJP, which made US Congress to hold on its commercial links with India. The real challenge to Indo-US JBC, had begun in 1998. India had refused to sign CTBT. India also lost Frank G.Wisner, the commercial ambassador of US to India to a new, tough, Richard Celeste, who took over on February 1998. India carried out a nuclear explosion on May 11, 1998, inviting sanctions, a death knell to all commercial links between India and US. Though the activities of Indo-US, JBC were limited, they were very significant. It was an effort to rescue Indian business from turning crossroads. We should note that Indo-US JBC, reacted first to sanctions and visited US to break the ice. Coupled with the efforts by Indo-US JBC to sustain the Indo-US commercial relations, were the opinions of top business houses which gave the strength to JBC.

The big man of Indian business, Ratan Tata, chairman Tata group of industries, voiced strongly in favour of an open economy. " I am very optimistic about India's future. It is true that India has been a caged tiger. Its real entrepreneurial spirit, its innovativeness, the true potential of its people and the country have to be unleashed. What we need is an environment that stimulates that,"[11] he told in an interview. " We should fight competition with competitiveness not with protection,"[12] he told in the same interview. The only engine, or the only motivator, for India's global competitiveness will be an open economy and high level competition, he remarked in another occasion. "In many ways the people of India and the United States seem to have a lot of affinity... we seem to be a country with an English heritage but very American in many other ways,"[13] felt Tata.

11 Ratan Tata, SPAN Feb – March 1998
12 Ibid
13 Ibid

With the efforts of Indo- US JBC, within one year of coming to power, central government turned industry- friendly. Industry had many like minded people in the government. Finance: Minister Yashwant Sinha, Industry Minister Sikander Bakht and Jaswant Singh, the External Affairs Minister. Finance Minister and others were ready to do what the business men wanted, to keep the Indian economy growing. the External Affairs Minister, took the initiative in dealing with US politically and he found. The US Secretary of State, Strobe Talbot eagerly waiting for him.

The Indo-US JBC in all its meetings concentrated on the issues relating to intellectual property rights, investments measure, and trade in services. In spite of all its efforts JBC could not influenced Indian government which forced the US to consider unilateral actions against India.

Winds of Change & Relief (1999).

Indo-US commercial relations got a fresh breath, with the spillover effects of Jaswant-Talbot talks. The diplomacy of US worked here. The meetings were held throughout the world and kept out of press. After every meeting India agreed to lift the minimum protection required for its industries, and US agreed to lift few parts of sanctions. In the name of security, US bargained trade. But Indian economy moved on the Indo-US Joint Business Council and the US- India Business Council, in cooperation with the American Business Council, organized the US Investment Summit 'the Dynamic South' in Chennai on January 20 and 21, 1999. The

Indian delegation to the summit was led by Mr. N.Sankar, chairman, Indo-US Joint Business Council with Shashi Ruia,Co-chairman Indo-US JBC as the CD-leader, and 120- member US delegation was led by Mr. Dean O'Hare, chairman, US-India Business Council.US congressman Ackerman observed that "India and the US are slowly emerging from severe Trust-Deficiency, syndrome and moving slowly to becoming strategic partners."[14]

Indo-US JBC. regained its lost glory in 1999, through its initiatives coupled with changed attitude of the govt at the center. It was only due to JBCs efforts that a nationalistic government turned business-friendly, inspite of having its cadres opposing government's new policies.

Flying Colours in 2000.

Year 2000 came with two signaling implications. In India, BJP was voted to power, of course with more partners. In America, President Clinton had reached his final year of second term as president. India got Murasoli Maran, an industrialist himself as Commerce and Industry minister. He was rightly assisted by Finance Minister Yashwant Sinha. Both wanted to give a finishing touch to Indian reform program. Clinton wanted to utilise his time for sending a strong pro-industry signal. What resulted was a visit to India by Clinton and second generation reforms, a millenium gift to US.

[14] Gary Ackerman,Official Text,New Delhi,Nov,1999

Indo-US JBC, was in the center of all these activities. Let us trace the year of activities with JBC.

FICCI organized a meeting with the US President Bill Clinton on March. 24, 2000 in Mumbai. President Clinton addressed the Indian industry on "The World that can be,". Mr. Pramod Mahajan, Union Minister for Information Technology, late Mr. P.R. Kumaramangalam, Union Minister for Power, Mr. William Dailey, US Commerce Secretary, Mr. Vilasrao DeshMukh, Chief Minister of Maharashtra, and ambassador Frank. G. Wisner, chairman-elect, US- India business council attended the meeting. Clinton called for proliferation of knowledge and technology rather than proliferation of weapons. The spread of IT could bring people together and improve their lives.

immediately preceding the President's arrival, FICCI organized a meeting with the US Commerce Secretary Mr. William Dailey. The two sides signed several agreements valued at $ 3 billion in commercial deals and $ 1 deal in Export-Import Bank financing. On behalf of FICCI, the chairman signed a protocol on knowledge based products and services "Knowledge Trade Initiative" with Frank G. Wisner. Presentation of the " Entrepreneur of the 20th century award" was made by Mr. William Dailey to Mr. Dhirubhai Ambani, chairman, Reliance Industries.

The Indo-US JBC sponsored a business delegation to USA from June 11 to 16, 2000. Concurrent round table sessions were organized to focus discussions on area of mutual co-operation including power and fuel supply, financial services, trade and investment, chemicals and petro chemicals, communications and transport. The Indian delegation also visited the Silicon Valley, Seattle, Chicago, Washington DC and New York. An Indo-US JBC, delegation of business leaders visited USA from September 11 to 17 , 2000 coinciding with the visit of the prime minister of India. On September.14, the delegation participated in the India United States commercial dialogue which was inaugurated by Mr. Yashwant Sinha and Mr. Norman Mineta, secretary US Department of Commerce. Other dignitaries from the US and Indian governments who addressed this dialogue included Mr. Gene Sperling, assistant to the president of the USA for economic policy: Mr. Brandy Anderson. Administrator, US agency for International Development: Mr. Shyamal Ghosh, and many others. The dialogue was co-chaired by Mr. Probir SenGupta, secretary, Ministry of Commerce and Mr. Michal Copps, assistant secretary for trade development, US Department of Commerce. The Indo-US knowledge protocol signed between FICCI and the US-India Business Council during the visit of the President Clinton in March,2000 was launched. Indian and the US public and private sectors also signed a number of business agreements in excess of US $ 6 billion at the meeting of commercial dialogue. A special meeting was organized with Nova Tech, the hi-tech, council of Northern Virginia on September. 14, with a view to evolve a mechanism for networking between hi-tech companies in India and USA. The delegation also participated in the following meeting :-

* Luncheon meeting with India caucus supported by FICCI and USIBC and addressed by the Prime Minister of India on September. 14.
* A special session on US-India relations on September. 15, organized by Indo-American forum for political education
* An interactive session with senior Indian American IT leaders on September. 16 with the Prime Minister of India.
* Lunch hosted by ambassador Mr. Naresh Chandra on September, 16.
* The State banquet hosted by President Clinton on September 17.

The Indo-US Joint Business Council and the US-India Business Council, in co-operation with the American Business Council and Indo-American Chamber of Commerce, organized a US investment summit 'The progressive west' in Mumbai from November 15-16, 2000. The Indian delegation was led by Mr. Shashi Ruia and the US delegation was led by Mr. Dean O' Hare, chairman, US-India Business Council. Six sectoral working groups were organized to examine ways in which Indo-US collaborations especially investment and trade, could help to leverage existing strengths and resources, and facilitate India's rapid movement towards the first rank of global economic powers. The principal result of these proceedings was a significant new document detailing 50 specific steps by which Indo-US economic cooperation could accelerate India's movement to higher plane of growth.

Areas of confrontation and role of JBC

After a detailed account of Indo-US Joint Business Council from 1991-2000, it is relevant to take a look at the various areas and issues on which the debate was carried on.

(1) India-US Double Taxation Avoidance Agreement

The India-US tax treaty was signed in New Delhi on September 12, 1994. The coming into existence of the treaty was a clear victory for the business community and political leaders. The treaty set a precedent for the US to negotiate its future tax agreements with developing nations and for India to negotiate future treaties with developed countries.

(2) Indo-US Packaging, Handicrafts and Environment

US Joint Business Council tried in its debates to resolve the problems relating to select industries-handicrafts, food items and packaging-in exporting to USA consequent to introduction of new rules and regulations. The US government promulgates new rules keeping in view phyto-sanitary or health conditions or the ecological balance. For example, United States bans crockery with toxic paints containing lead. Even toys, porcelain items or ceramic wares, if they contain toxic paints, are not acceptable. Another example ,is the US ban of Indian rayon skirts-an Indian item, on the ground of flammability. Had the stipulations regarding inflammability test, been publicised in time, exporters would have taken proper precautions and the problem of dispatching consignment would not have arisen. All of a sudden when US government changes the rules, Indian exporter is to put to great hardship.

United States is a major market for Indian art-metal wares and wood wares. Although there is an increasing trend in exports of these items, United States of America is under the impression that wooden screens, wooden boxes and brassware items are infested with Kaprabeatle and insists on fumigation for shipment from Bombay .Fumigation of a container costs $600-$1000 and this increases the loading cost. As a result, the competitive strength of our products in the US market weakens.

In order to maintain country's ecological balance the United States is banning certain packaging materials and in certain respects, it is taking the lead from Germany. US government bans packaging materials of straw, newspaper cuttings, old gunny bags(sacks), old cotton and untreated wooden crates or boxes.

Quite often an exporter is not aware of the rules and regulations prevailing in USA. Here the role of Indo-US JBC becomes relevant. After a prolonged debate the Export Promotion Councils were entrusted with the job of obtaining the information from Indian missions abroad and familiarise the exporters regarding the rules related to export through circulars, seminars etc. At the same time the effort is on to make the US government to give wide publicity from time to time about the latest changes in the rules and regulations concerning the product composition or packaging and labeling requirements.

(3) Indo-US garment export

The trade between India and US is under the bilateral textile agreement and is hence restrained by quantity. Recently India has signed a textile agreement with the US on 31, December, 1994 to facilitate the trade in textile product. The Indo-US Joint Business Council played a very significant role in making this agreement a possibility. Textile is an area where India and US having the maximum confrontation. This was visible even during the Uruguy Round of GATT negotiations. With the efforts of Indo-US Joint Business Council both countries came under the influence of Multi Fiber Agreement. The Jaswant Sing-Talbot talks led to the removal of Quantitative Restrictions imposed by US on Indian textile export.

(4) Intellectual Property Rights

At the 24 Joint Indo-US Business Council meeting, held on 15,November 1999 in Mumbai, the IPR issue was debated at length. US expressed serious concern about India's non serious attitude towards the Patent Law in India. The IPR's are of paramount importance to research-based industries ,and the GATT Agreement on Trade Related Aspects of Intellectual Property Rights (TRIP's) requires both India and the US to establish minimum standards of IPR protection. The aim of the Working Group is to facilitate the establishment of a modern, world-class intellectual property regime in India, which satisfies TRIP's, encourages foreign investment in India and promotes India's vast scientific capabilities. Provisions must be made to safeguard India's store of traditional medicines.

The major obstacle is to convince all sectors of Indian society that good IPR Laws are in the country's best interest. It is argued that only multinationals pharmaceutical companies will benefit from patents, and that patents will make medicines prohibitively expensive in India and will take away traditional Indian medicines.

The Indo-US Joint Business Council recommended the following steps to Indian government in the field of patents.

- Enact Laws which are TRIP's-compliant by the year 2000, including the following:
    (1) Patent term of 20 years from filing
    (2) Broader definition of patentable subjects matter
    (3) Restricted availability of compulsory licenses.
- Streamline the patenting process; eliminating the backlog of unexamined patent applications.
- Increase staff at Indian patent office; provide training for patent personnel.
- Introduce modern data storage and communication methods.
- Increase communication and cooperation with other patent office around the world.

- Ensure adequate judicial enforcement of IPR; ensure that courts can handle IPR cases.
- Create a database of traditional Indian medicine; accept oral evidence of the existence of traditional Indian medicines; enact adequate remedies for violation of IPR(including preliminary injections).
- Provide special training for judges such that they can try IPR cases; investigate the possibility of special courts to try IPR cases.
- Communicate the benefits to India of improved IPR:
    1. US delegation meet with scientists ,business leaders and government officials.
    2. Representative of Indian industry visit research-based companies in the US.
    3. Encourage joint venture/research collaboration between Indian and U.S. entities.

Since the key to success is demonstrating that Indian benefits from improved IPR ,encourage other industries which depend on IPR (e.g. ,software companies which has been very successful in working cooperatively with India) to join USIBC and participate actively in USIBC interaction with Indian government officials.

The Indian government responded positively to the demands of Indo-US JBC by changing then Indian patent law in 1999 .it incorporates almost all the recommendation made by the JBC

(5) Power and Fuel supply

The power sector is the flagship sector for Indo-U.S relationship ,because it has ability to mobilise vast amounts of trade and investment between the two countries. While several efforts have been made for encouraging the sector,the full potential of opportunities still remain to be captured.

Large scale investment in this sector will go a long way in boosting overall investor confidence in the country as a whole. President Clinton's anticipated visit next year can in fact serve as a catalyst to give vital momentum to this sector that can unleash years of profitable trade and commerce between the two countries

- Ensure full implementation of Government of India(G.O.I.) 100-days agenda ,including Clearance of pending counter-guarantee projects. This will show industry commitment and resolve on the part of GOI that it means business.
- State governments that want to attract investment in the power sector must irrevocably start/push the state electricity board(SEB) reform process in all areas ,including tariff rationalisation ,controlling theft ,removal of cross subsidies.
- Ministry of power(MOP) of GOI should emerge as the single point "one window" for resolving all energy sector issues and problems .be they related to fuel, financing clearance permits ,and related issues.
- Encourage multi fuel diversified energy plan including hydro coal ,and gas to ensure a proper and balanced mix of fuel types.

- Encourage the generation of environmentally friendly power with special emphasis on renewable and non-conventional energy sources .energy conservation should be fully explored as a area for further Indo-US cooperation.
- The U.S. government should expand existing programme of technical cooperation with the State Electricity Regulatory Commission in order to accelerate model regulatory processes. Great knowledge sharing on regulatory framework should also be encouraged.
- The power trading corporation should be launched at the earliest, and trade of electricity between various states, producers, and consumers, should be encouraged wholeheartedly.
- Expedite upstream and downstream oil and gas regulation and reforms.

To incorporate all this suggestion the Indian Government amended its policy towards power supply and allowed the privatisation of the power sector. The state governments were allowed to go for individual power policy which were successfully implemented by Orrisa and Madhya Prades government .

(6) Trade and Investment

- Recommendation for strengthening Trade and Investment:
- Institute uniform policy treatment for foreign investment across all sectors
- Create long term and consistent economic policies with an understanding of the lead time to realise benefit.
- Reform labour laws to liberalise and strengthen employtment.

- Remove discriminatory tariff and quotas (including exports) and anomalies in categorisation
- Avoid discriminatory tariffs and taxes in all sectors based on perception of what constitutes a luxury item.
- Integrate all states and central government taxes into a single VAT.

The Indian government accepted all the above recommendations and incorporated them in the second generation reforms. The banking sector, insurance and major financial institutions were liberalised.

Commercial Diplomacy and Clinton's Visit to India

Immediately after the sanctions were imposed Indo-US JBC. made the maximum effort to restore the Indo-US business back on track. In addition to its activities, it succeeded in persuading President Clinton to visit India to signal the fresh start again.

The composition of Clinton's team, should remove any doubt about the commercial intentions of the much hyped political visit of President Clinton. He had with him more CEO's and business leaders, than the nuclear experts. US Secretary of Commerce, William M. Dailey. accompanied the president. The choice of cities- New Delhi, Bombay, Hyderabad- all the new centers of commercial activities. JBC, initiated all the proceedings.

In New Delhi, urging a strengthening of economies between the world's two largest democracies. Commerce Secretary William. M. Dailey witnessed the signing of over $ 1.4 billion in business agreement between US firms and Indian public and private sector entities." The president's trip to India provides rich opportunities to promote American commercial interests in a country that has the world's fourth largest economy. And a government committed to economic reforms and continued economic growth ,"[15] secretary Daley said." These agreements are a win-win for India and the United States", added secretary Dailey. " This is what trade is all about, putting American know-how and innovation to work in helping to improve the quality of life in developing countries, while creating economic opportunities at home and abroad." [16]

The signing followed the launch of the inaugural session of the Indo-US commercial dialogue led by secretary Dailey and his counterpart, Minister of Commerce and Industry Murasoli Maran. The main objective of the dialogue was to deepen ties between the two countries by focussing on trade and investment issues in a broad range of sectors. " President Clinton's visit to India demonstrates this administration's commitment to using trade as an economic bridge for creating lasting prosperity between India and the United States. Our new bilateral commercial dialogue is meant to further enhance those relations and spur on greater interaction and economic cooperation,"[17] said Secretary Dailey.

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15 William Daley Official text , USIS New Delhi March 24 '2000
16 Ibid
17 Ibid

The major commercial ventures signed in Delhi :

(A) Environment

(i) Global Market Resources, Inc. which is the authorized Asia distributor and consultant for the Hydroclave systems signed an agreement with the Indian company Healing Medicals Private Limited, for the purchase of Hydroclave medical waste system. The Hydroclave Technology provides an environmental friendly alternative to traditional incineration technology, alleviating the air pollutants and water run off effects, associated with incineration as well as reducing the volume and weight of waste

(ii) Light Stream Technologies Inc. signed a business agreement with its Indian partner, Subhash, establishing a strategic alliance through which Light Stream seeks to introduce its chemical-free, high-powered pulsed ultraviolet water disinfecting technology.

(ii) water Systems International, Washnington D.C. signed an agreement with Haryana State Industrial Development Corporation to establish a state-of-the-art manufacturing facility for water purification units. WSI, is an environmental engineering firm that has been active in India, focussing on water treatment solutions and drinking water problems.

(B) **Information Technologies :**

Banc America, Chicago, signed a business agreement with DSQ Software, India's fourth largest software services company, to form a global IT services company specializing in the financial services sector. Bank of America is the majority investor in the new entity.

IBM, New York signed a business agreement with the Indian firm, Modicorp Ltd. to supply a range of computer products and services.

(i) Info Dream, signed a business agreement with the Indian firm, Modicorp Ltd. for the creation of an innovative web portal for automating the entire process of resource management in a service enterprise.

(ii) Neuvis Inc. Shelton and DSQ software signed a business agreement to help speed up innovations in the Neuvis business platform and increase the rate of the customer implementation in the global e-business market.

(c) **Energy :**

(i) Synergics Energy Development Inc. signed a memorandum of intent with India's Power Finance Corporation which will commit to financing 25 % of the Shrinagar Hydroelectric project in Uttar Pradesh. The project will provide a clean and reliable energy source for three million people in northern India and will help eliminate more than a million ton of green house gas emissions and annually save over 100 million gallons of oil.

(iii) Ogden Energy, New York signed two business agreements with Indian counterparts for the development of regional power project.

(a) Balaji Power Project : Ogden signed an agreement formalising its partnership with Balaji Power Corporation. The two partners will build, own and operate a 106 MW green field power project.

(b) Shri Maheswar Power Project : Ogden signed an agreement with the Madya Pradesh Electricity Board for the construction of a hydropower dam. When completed, the dam will provide 400 MW of hydro electric power to the Madya Pradesh region.

(iv) US Energy Association (USEA) Washington, D.C. signed an agreement with the Confederation of Indian Industry(CII), establishing a joint Indo-US, private sector Trade Investment Working Group which will work with both governments to promote commercially viable clean energy and environmental opportunities.

(D) Tourism

World Corporate Club. Inc. signed a business agreement with the Indian company, Flex Group of Companies to evaluate the stability of property for the construction of an international business club in New Delhi.

"These agreements demonstrate the positive impact that US technology, expertise, and world class equipment will have on the development of India's infrastructures and overall economy"[18]. secretary Daley said. "America can and will do every thing necessary to bring the power of prosperity to the door step of world market like India. A prosperity that also grows jobs at home," he also added.

18 William Daley, Official text, New Delhi, March 24 2000

Signings in Mumbai include the following business agreements.

(a) Information Technologies

Huges Network Systems, Germantown, signed a business agreement to provide a VSAT(very small aperture terminate, a small antenna used for transmitting and receiving data communications) systems to S.Kumars. com Ltd. This network is designed to promote electronic communication, with a special focus on rural India.

Motorola, signed a MoU with the Indian telecommunications company, Essar Telecom Ltd., to develop a local multi point distribution system (LMDA) to provide wireless broad band access. Essar plans to offer a variety of internet services across 52 cities in phase of this project.

(b) Finance

(i) The Principal Financial Group, signed an agreement with its joint vênture partner the Industrial Development Bank of India (IDBI) , solidifying its plans to launch the IDBI – Principal Asset Management Company Ltd. The products of this partnership will enable the people of India to attain old age security.

(iii) Huges Network Systems, Germantown, signed a financing agreement with a leading Indian financial institution, Industrial Credit and Investment Corporation of India(ICICI), that will allow Hughes Network and its partners to raise the necessary funds to install broadband communications network for customers across Maharastra and Goa. Hughes which currently has 20,000 lines in service, hopes to have over 2,20,000 lines in operation by March 2002.

(c) **Energy**

(i) Enron, signed an agreement with Ispat Energy Ltd. to supply natural gas to the Dolvi power plants near Mumbai. Enron anticipates U.S. products and services to be incorporated into the pipeline that will carry the gas from Enron facility to the power plant.

D **Environment**

(i) Global Market Resources, Inc. the authorized Asia distributor and consultant for the Hydroclave systems (HS) corporation, signed an agreement with the Indian company Hydroair Tectonics Ltd. to supply HS equipment for installation into Mumbai medical waste treatment facility. The HS technology offers a clean and efficient means to sterilise infected waste, while helping the environment by decreasing the volume of waste and avoiding air pollutants and water run off effects associated with traditional incineration methods.

In addition to these commercial signings, Secretors Dailey signed two MoUs on behalf of EXIM bank of the United States. The first, MoU was signed with the EXIM Bank of India and the second MoU which was signed with the IDBI and the Small Industries Development Bank of India, a subsidiary of IDBI agreed to meet the needs of small and medium- sized enterprises. Under the two MoUs, EXIM has pledged $

billion for Indian small business to purchase US made goods and services.

Secretary Dailey also used this opportunity to highlight EX-IM Bank's approval of a preliminary commitment for $ 358 million in financing to support the purchase of 10 Boeing aircrafts for Jet Airways of India.

On behalf of the US Trade Development Agency (USTDA), Secretary Daley signed a grant for a power plant feasibility study to be fueled by coal waste products from an existing coal washery at Korba (in the state of Chattisgarh). BSES limited is the developer for this project and plans to select Foster Wheeler, to be the sole source contractor for the feasibility study.

U.S. Commerce Secretary, William M. Dailey joined President Clinton, later in the day, on a tour of one of India's fastest growing software parks and signed over $ 30 million in business agreements between U.S. and Indian technology firms. The signings were made at the Hyderabad Information Technology Engineering Consultancy city better known as " HITEC" city.

" Hyderabad is a prime example of how economic reforms can serve as a magnet for attracting key investment from the best technologies that US firms have to offer," said secretary Dailey. " Today's signings represent yet another step in our growing commercial ties with India, a relationship whose foundation rests on creating mutual economic opportunity."

Signings In Hyderabad Include The Following Business Agreements:

Motorola, working with the government of Andhra Pradesh, will establish the Motorola School of Communications Technology as part of the Indian Institute of Information Technology in Hyderabad. The Motorola School is the first of its kind for training students in the field of telecommunications. The curriculum will focus on CDMA satellite, internet networks and other technologies.

(a) Technology Net. Com, signed an agreement with Satyam, the second largest national provider of the internet access and services in India, to create a new internet portal which will provide India's high tech industry with access to information technology services and products throughout the world.

(b) Avid Technology, signed a memorandum of understanding with the Indian company, IMT Imaging Technologies to create a training center for next generation imaging technology. Avid would participate as a joint promoter. The next generation imaging applications will be used for films, television and net-based entertainment.

(c) Hewlett Packard, signed an MoU with the Indian company. Imaging Technologies (IMT), to create a center for next generation imaging technology. Hewlett Packard software will form the platform for centers imaging technology.

In meeting with several Indian business groups – the CII, FICCI, Indo-US, JBC, US-India Business Council, Associated Chamber of

Commerce and the Indo- American Chamber of Commerce- the secretary emphasized the importance of continued liberalisation and privatization in India in order to highten US private sector participation in India's continued economic growth.

Thus, President Clinton's visit to India, was a business tour than a trip towards making India sign the Comprehensive Test Ban Treaty (CTBT).The role of Indo - US JBC in this regard is commendable Without any doubt it has occupied a central role today in Indo - US commercial interactions.

At end of millenium and a decade of activism clubbed with frequent hiccups, Indo-US Joint Business Council(JBC) is no doubt, at the centre of Indo-US business relation.

Chapter-IV

Conclusion

" The true test of the Indo-US commercial relation is not just, the size of the feast it creates, but the number of people, who can sit at the table to enjoy it."

While the Cold War is over in the military sense, it still rages in the political and economic setting. In fact, the victory of the United States over the Soviet Union in the East-West Cold War has only helped fuel fierce economic competition among countries that have been aligned with each other militarily. The politico-military bipolarity of the Cold War era has given way to marked economic multipolarity in the international power structure. The change in America's global position, from post-World War II economic dominance to economic interdependence today, has entailed a shift towards an increasingly aggressive trade posture.

Foreign economic policy has become critical to US national security and domestic prosperity. The decline of America's relative economic power in the world has spurred increased US concern over the rise of peer economic competition, particularly with Europe and Japan. The fact that the US triumph in the military related Cold War occurred in an era of declining American economic competitiveness and soaring new commercial rivalries has helped undergrid the importance of an assertive economic diplomacy for Washington.

The United States is seeking to regain its economic global primacy through an increasingly pushy commercial diplomacy. The role of economic diplomacy in America's foreign policy and national security can be from the fact that the volume of its trade now equals 30% of its Gross Domestic Product (GDP), up from 13% in 1970 and 25% in 1992. This clearly shows that trade has become more decisive than ever to the vitality of the US economy, which is increasingly relying on exports to sustain growth and generate new jobs.

US economic diplomacy thus is placing primary emphasis on establishing new export opportunities for American goods services through bilateral, regional and multilateral trade agreements. In 1993, the United States for the first time unveiled a National Export Strategy as part of concerted plan to promote export.

Important successes of US economic diplomacy include the establishment of the World Trade Organisation (WTO). The WTO by itself represents a major triumph for US economic diplomacy since it is expected to significantly improve American export opportunities. In addition to strengthening multilataral trade arrangements and building "open regionalism," the United States has pursued bilateral diplomatic initiatives to prise open national markets. Further, international financial institutions, such as the International Monetary Fund(IMF), the World Bank and the regional development banks, are increasingly coming handy to US economic diplomacy for promoting American commercial interests. The

Group of Seven (G-7), a valuable instrument for Washington for macroeconomic policy coordination, has endorsed a reforms blueprint for the World Bank. US diplomacy according to Strobe Talbott, has formed coalitions with "non-state actors", such as the IMF, World Bank, multinational corporations(MNCs), United Nations and non-government organisations(NGOs).

In the 1990's, the United States is pursuing the same grand strategy that it into practice in the aftermath of World War II. United States is once again seeking the creation of "a US-lead world order based on preeminent US political, military, and economic power, and on American values; maximisation of US control over international system by preventing the emergence of rival great powers in Europe and East Asia; and maintenance of economic interdependence as a vital US security interest. "Globalisation" has emerged as the new buzz word in US strategy. Multilateralism and regionalism are being sold as simultaneous economic routes to globalisation.

The role of US commercial diplomacy thus needs to be understood against the background of America's closely - integrated security and economic interests. Economic and security interests are inseparable for the United States. Without a powerful economy, an edge in high technology and global competitiveness, the United States cannot sustain its unrivalled military strength and power - projection capabilities. Military power, in turn, is employed by Washington for political and economic ends, including for securing favourable market access agreements. A holistic view of US foreign economic policy, therefore, demands that it be examined in the wider national - security and foreign policy framework. Trade is a key component of American national - security strategy. The 19^{th}- century maxim, "trade follows the American flag ," is more true than ever.

The period of US commercial diplomacy stretching through to the 1990's has witnessed Americas unilataral tendencies, rising disdain for multilataralism, and a trade policy shift towards results rather than rules. Yet, at the same time, the United States has not sought to scuttle multilateralism. Rather, it has supplemented multilataralism with regionalism, bilateralism and unilätaralism by employing available trade - related tools.

In the 1990's the United States has been increasingly reluctant to shoulder other states burden which it willingly bore during much of the Cold War era. In an economically polycentric world, it wants to be the world's sole military super power without the liabilities of the previous era but with the tenacity to employ security assets for commercial gains.

America's economic strategy and diplomacy will concentrate heavily on expanding foreign - market access for its goods and services so that it can export its way to more wealth and fortified power. The United States, after exporting a record $849 billion in goods and services in 1996, looks set to surpass its ambitious goal of increasing exports to $ 1.2 trillion by the year 2000. In the last decade US commercial diplomacy has paid greater attention to the Big Emerging Markets (BEM's) where a strong growth has yielded major opportunities for American firms.

Indo - US commercial diplomacy, falls under the above mentioned broad US economic and foreign policy. India, as one of the largest BEM's, has attracted growing US commercial interest and involvement. Although economic and security interests are inseparable for the United States, it has compartmentalised the two in its policy towards India so as not allow political differences to come in the way of - in Commerce Secretary William Daley's words- " the lucrative opportunities there ". Despite the modest volumes of bilateral trade and American modest investment, the United States is already India's largest trader and investor, is assertively seeking new long - term Indian market openings. US diplomacy has determinedly sought to create greater Indian market access for American goods and services, even while maintaining Non Tariff Barriers such as quotas and health and safety regulations against Indian exports.

In this research work Indo - US commercial diplomacy in the context of bilataral negotiations has been analysed. This is an attempt to codify the Indo - US commercial relations in the 1990's, beginning from the economic liberalisation programme initiated by the Indian government in 1992 to the end of Clinton era. This is an account of series of initiatives and responses by both the US and Indian governments, in field of commercial engagements.

In the first, chapter the clash within the US Foreign Policy Department with regard to the priority to be accorded to the economic and security concern is analysed. The contradictory statements by the Secretary of State Department, Robin Raphel, regarding the US foreign policy priorities towards India created some bad blood between the two countries. This was not well received in the background of India's departure from its controlled economic policies. The Department of Commers under the able leadership of Secretary Ronald Brown created some breathing space by naming India as one of the Big Emerging Markets (BEMs). The relations between India and US became very cordial instantaneously. This goes on to prove that American government was making a peace between the economic and security concerns. This chapter deals in detail with the project of Big Emerging Markets (BEM), and its implications for both India and United States. This project is an attempt towards not to allow political differences to come in the way of commercial interests. This is a clear example of government directly taking part in commercial activities as an agent of private firms especially, Multi National Corporations (MNCs). This chapter is an account of Government - to - Business engagements.

The second, chapter is a detailed account of Indo - US commercial engagements with reference to a direct engagement between the two countries. This part accounts for the launching of " Indo - US Commercial Alliance, " an instrument for bypassing the government as the decision - maker in commercial matters. In other words, it is a Business - to -

Business negotiation strategy. This was a result of Secretary Ronald Brown's visit to India in 1995, the year World Trade Organisation (WTO) came in to effect. This made government to act as only a facilitator with regard to the business matters.

The third, chapter deals with the theme of this research work ; the role and structure of Indo - US Joint Business Council with respect to Indo - US commercial diplomacy. It records various activities of the JBC in the troubled times of Indo - Us economic relations. Indo - US JBC is an apex body of Indian business houses. The role of the JBC is noteworthy in the context of its changing nature. The JBC, has used the government as the peacemaker when the Indian business houses were not ready for the change unleashed by the economic reforms programme initiated by the Indian government in1992. This chapter is a account of Indian business houses journey from a controlled economy to performance economy. We have seen how the private firms have shifted their allegiance towards multinational, as soon they made contacts with them. The Indian corporators started looking at Indian government as a interrupter between the private firms activities. Inspite of the WTO coming in to existence there were few irritants in the Indo - US business relations. Patent Law of India, Environment issues, Trade related Investment measures, etc. The role of JBC in resolving these issues is made in this chapter.

There is also reference to Clintion's visit to India. It is a well established fact now that the visit had more business people in his delegation than the much acclaimed nuclear experts. By the end of a decade long Indo - US relations had started showing their impacts on all sections of the society, by the time Clinton visited India. Within India there were problems relating to the benefits of the commercial relations. When the Indian government was preparing itself to face the people Clinton's visit added to the trouble. Though the Indian business houses were happy, the plans of development unleashed by President Clinton's visit was not for all. This was in contrast to what President Clinton was preaching in Hyderabad.

"We cannot forget the simple message that, no matter how much new technology there is, the two things we must remain committed to are empowerment and community. Everyone counts. Everyone should have a chance. Everyone has a role to play. And we all do better when we help each other."

For many, many, Indians, it is a virtual economy, not really having the growth per se. The overall per capita income, purchasing power has not really risen. Majority still look for subsidies from government, at least in the field of basic necessities like food, health, education, etc. They are helpless in the naked dance of prices in the market economy, without any sources of income. The production is getting concentrated in few hands. The closing down of millions of small and medium scale industries has pushed millions downwards, shrinking the size of the rich. So at the end of ten years, Indo-US economic relations may have created a 'feast' of economic growth (only in statistical terms), the number across the table to share it has reduced, nullifying the positive effect. India is in a vicious circle today.

What is more striking is, the next move of the MNCs and the industrial houses of India. The minimum basics of the human existence, like water, food, health, education, etc, are being considered for the business purposes . This was reasserted by President, Bill Clinton, in a speech to the business community at Hyderabd.

" The challenge is to turn the newest discoveries into the best weapons, humanity has ever had to fight poverty. In all the years of recorded human history, we have never had these many opportunities to fight poverty. And it is good economics to do so. The aim is to harness new technologies not only for economic growth but also for deeper democracy and better environmental protection, education and health care."

This in simple terms denotes that, our government has failed miserably in these fields. Bill Clinton further argues that "In India today, as in America, there is much to do, millions of Indians are connected to Internet, but millions more are not connected to fresh water. India accounts for 30 percent of the world's software engineers, but also 25 percent of the world's malnourished."

This confirms the fear in the minds of the people, regarding the benefits of the economic liberalisation policies by the Indian government. The MNCs, alongside the business groups of India are ready to devour all the Indian resources and the government has been forced to be a sacred lamb by Federation of Indian Chambers of Commers in India (FICCI), Confederation of Indian Industries (CII), Association of Chambers of Commers (ASSOCHAM), and others.

Reeling under the multinationals' pressure, the Indian government has agreed to go for a "Second Generation Reforms."

At the world Economic Forum meeting in Davos, Switzerland, Finance Minister, Yashwant Sinha, declared to allow Foreign Direct Investment, to all the possible sectors. Commerce and Industry Minister, Murasoli Maran, appealed to create an "India fever" for the investors. Back in India, Mr. Sinha said, "We are determined to bite the bullet. There are no soft options. What is left are only the hard options."

What do the 'Second Generation Reforms' aim at?

To move into a phase of economic policy that does away with all residual controls on foreign capital.

(a) Remove all restrictions on Indian companies seeking to issue American Depository Receipts (ADRs) and Global Depository Receipts (GDRs)

(b) Reducing Tariffs and eliminating quantitative restrictions.

The minimum control on foreign capital is being loosened. Government has announced its withdrawal from health, environment, education and other basic facilities, much to the delight of the MNCs. But the general public are not happy. The Targeted Public Distribution System (TDPS) is not working. The resources with government have reduced and the people to share it have increased.

Look at future;

Under such circumstances, ten year old Indo-US commercial relations stand on a rocky road today. Though the game will continue, the number of players will keep reducing.

There are institutions, organisations. media personalities, who are awakening the general public to the hard reality. The socio-political effect of ten-year long Indo-US commercial relations are facing a serious challenge from all sources...........

(A) Center-State contradictions. The biggest challenge for the Indo-US trade is coming from the non-compatibility between central government and the smaller state governments. The row is regarding to the sharing of financial burdens and risks of unemployment

(I) The Cogentrix power project in Karnataka didn't materialise, causing a huge loss to the company, which opted out to move to China.

(II) The Enron company, has lost to Maharastra government, in getting its payments received, and has made mind to move out of agreement.

(III) The BALCO disinvestment is a case of no-trust motion on center by Chattisgarh government, putting a question mark on investors' faith.

These are few and many more are happening and many more will happen. Political affiliations also have troubled the center-state relations. Center is under due pressure to give counter guarantee for a project, in a case of State refusing to pay the due.

(B) Rise of Economic Nationalism. The BJP government is facing the opposition from its own political wings. Dattopant Tengdi of the Bharatiya Majdoor Sangh (BMS) , Trade Union wing of the BJP has blamed Yashwant Sinha and others in the government for acting as agents of multinationals. Unemployment resulting out of public sector sellout is causing a big headache to government. Communist Trade Unions were in the forefront of the war against the multinationals. Of late Congress, has also joined the group. Congress, which initiated the reforms, feels that today's government is selling the country to multinationals. "We wanted the controls to lose, not to lose the controls of Economy" says Pranab Mukherjee.

(C) Vanishing of medium and small scale industries. he motto of multinationals, is to remain as the sole producer. It wants and visualises the whole world as consumer to its projects. Same vision has percolated to India. When Indian population reached the 1 billion mark US multinationals, it was looked at as "one billion consumers' rather than citizens or people.

The worst impact of this notion, can be seen on the medium and small scale industries. Millions of small producers who practiced production through domestic technology, have been forced out of the field. By using high technology, a much cheaper and well finished brand of goods have occupied the markets. Dumping is taking place. The small scale & medium units have been brought under the environmental pollution law and forcibly closed down.

(D) Interrelation between Government-Business-Society ; The changing nature of interrelation between the government-business-society is alarming. Before the reforms, government had none to blame and it was responsible to society. Business had its links with government. Today, business and government are perceived as friends by the society. This is making society lose faith on government office. There is no cooperation and co-existence between the trio. Though there are few efforts to resolve this, much needs to be done to bridge the gap. For instance, CII has constituted a joint task force and National Task Force for governance, including a few political leaders. The CII has also set up an exclusive Social Development and Community Affairs Council, to draw the faith of the society. The role of business in politics needs to become more transparent. Declaration of contributions to political parties by companies will be a right step.

(E) Information Technology slow down a clear signal for profit consideration. Already the Indo-US Commercial relations are reeling under the public outcry against the US MNCs taking control of the economy. What came as a bigger proof to it is the Information Technology doom......

"India is fast becoming one of the world's software super powers, proving that in a globalised world, developing nations not only can succeed, developing nations can lead" said Bill Clinton to the Hyderabad business community. The number of Internet users is expected to grow more than 10 times in just four years. Ten years ago, India's hi-tech industries generated software and computer-related services worth $ 150 million. Last year that number was $ 4 billion. Today, the industry employs more than 2,80,000 Indians. In India, Infosys, Wipro and Satyam Software companies have created a huge market. Many Indians have done wonders in America: Suhos Patil, the chairman emeritus of Cyrus Logic, Vinod Khosla, helped to build Sun Microsystems, Vinod Dahm created the Pentium chip. Millions of youth took this path and went to US as software professionals. What happened? There is a slowdown in demand for the software experts. companies are closing down. Thousands have come back empty-handed, and many are preparing. But Indian companies are not disturbed. They are happy because US has created this crunch artificially, to make Indians stay back at home. In India, the same work can be get done for much cheaper payment, than they use to pay at US. Now Indians will work with Indian wage standard. And America will export the products to world market from India.

In the age of British Colonialism, the trend was flag-follows-trade. Britishers came for trade and than they established flag, their political dominance.In the age of Neocolonialism, it is trade-follows-flag. Americans established their political embassies in India. Through commercial Diplomacy, they used the flag to penetrate trade. Today America has established a trade and there is a clear fear about the political dominance to follow With these many, and many more contradictions at hand, Indo-US commercial relations are in for a rocky road ahead.

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