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## ECONOMIC IMPERATIVES BETWEEN INDIA AND THE USA DURING GEORGE W. BUSH ADMINISTRATION

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### Abstract

Indo-US relations have been significant for many reasons. Since India's independence, both countries have been working to maintain diplomatic relations. After 1991, economic reforms in India paved the way for further expansion of their relations in the economic sector. It happened during Reagan administration, and then it flourished under the presidency of Clinton administration. The Bush administration, especially after the 9/11 incident focused on the development of a strategic relationship with India. India also showed interest in keeping bilateral engagement with the US for her national interest. In this way the Bush Administration played a vital role in continuing economic relationship with India. This article highlights Indo-US economic engagement during the Bush administration and tries to further the development of Indo-US economic imperatives.

**Key Words** – Investment, Foreign policy, National Interest, Strategic, Bilateral

### Introduction

Economic cooperation is a perennial area of Indo-US relations since India attained independence. Economic cooperation has been expanded when India adopted the liberalization policy in the economic sector in 1991. Since when India took the major initiative to change the financial sector, the US has been continuing as a major economic partner of India. Especially, during George W. Bush administration Indo-US economic cooperation had played a significant role in bilateral as well as strategic sectors. After 9/11 incident, the US realized that India as the largest democratic country in the South Asian region has lot of vision to promote democracy in the World and be able to counter terrorism not only in the South Asian region but across whole world. Therefore, during the Bush period the US herself showed interest to expand economic cooperation with India through various economic sectors like Foreign Direct Investment (FDI), Intellectual Property Rights (IPR), trade in merchandise, services, aerospace, and defence etc.

On the other hand, as a strategic partner of the US, India aspires for the US economic aid and assistance for her national interest due to the insufficiency of economic goods and services in India and also to maintain the balance of power in the world. During Bush administration Indo-US economic imperative reached the highest level than any other administration of the US. Economy is one of the major areas to ease the tension between the two greatest democracies in the world. India's strategic alliance with the US has been reinforced because of developments in the merchandise trade sectors like aerospace, defence, natural gas, pharmaceuticals, media, entertainment etc. India's market has been greatly influenced by the FDI flow from the US, and many of the US based organizations have developed their manufacturing units in India because of the availability of cheap labour force, lands and to some extent electricity. Subsequently, many companies of India have created a larger base for their products and services in the US. For example, software personnel, doctors and other workers like plumbers and maintenance engineers of the US are getting filled up by Indian citizens.

Economic cooperation facilitates the two nations to strengthen the strategic partnership to promote anti-terrorism activities in the South Asian soil as well as the global arena. Apart from the issue of terrorism, to counter the communist countries like China and to attain strategic advancement in the commodity market, there has been constant positive communication occurring between the two nations. Nevertheless, there are various economic issues like market access barriers and intellectual property rights protection that have hindered the Indo-US relations time and again. The silence of the US while handling affairs related to India and Pakistan has developed a sense of rigidity in the relations of both the countries. The US has been claiming to have experienced losses due to the piracy of audio-visual elements.



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In spite of all these issues, both the countries co-operated with each other in many areas of economic sectors to maintain their balance of Power in the strategic sector. During Bush administration, there were developments in great strides in majority areas. While trade of commodity and services improved on a very positive note, many sectors experienced improvements in quality as well as quantity due to the investments of the US in India and vice-versa. The strategic alliances kept on developing based on the symbiotic economic growth.

It also provides a brief understanding of the benefits that both the countries are receiving from each other and the aids and assistances offered by the US to India that has resulted in better bilateral and strategic partnerships during Bush tenure. It also argues while positive issues have reinforced greater cooperation nevertheless there are issues like Intellectual Property Rights, market barriers and stringent Indian markets that have somewhat shaken the relations in some occasions. Further the chapter highlights that though there were challenges during Bush administration, Indo-US relations reached the zenith because of economic inputs which have strengthen the two nations.

## I TRADE

Trade is basically defined as the act of transfer of goods and services within two or more than two people with the aim of getting a value-price exchange and primarily carried out in exchange of money. Trade plays a major role in shaping the economic relations of different countries. During Bush regime, policy makers and reviewers of the US had identified that Indian political system shared common values with the US in many economical perspectives in the 21<sup>st</sup> century. This has facilitated growing friendly relations between India and the US. In addition, the reforms on the trade and investment by Indian government since 1991 have generally promoted the economic relations. Indian diplomats opine that both the nations' economies present improvement fostering trade interests rather than just to stand as a developed-developing nation relationship. The Bush administration declared to provide full economic assistance to India for the geo-political security especially to containment of terrorism.

In last 20 years one can notice the Indo-US commodities trade relations taking larger strides in the positive direction. According to the US statistics data bilateral economic and trade relations in 1986 was 4.0% which increased more than 8 fold in 2006- 2007 \$ 31.9 billion. Therefore, merchandise trade between India and the US is playing an imperative function in shaping their economic and trade relations.

The value of export from India to the US and imports from the US to India has increased since 1958 to 2008 according to the report of International Monetary Fund (IMF). The report shows that due to certain economic policies of both the countries the trade value was relatively low in the last 20 year from 1958 to 1980. It gradually increased the export and imports services of both the countries in mid 1980s. In the 21<sup>st</sup> century Indo-US economic and trade relations in merchandise sector flow gradually. Apart from their regular decline of imports and exports in the last forty years, in 2006 the US purchased 17.4% of India's exports but the import to India was very less which was about 5.9%.In the present scenario the US is the largest exporter in Indian market and third in terms of imports.

According to the Indian data the top five exports in 2007 were woven apparel, knitted apparel, jewellery, machinery and miscellaneous textile articles. Lastly, the top five imports are fertilizers; machinery, aircraft, electrical machinery and optical & medical instruments. The figure below highlights India's trade with the US during Bush administration



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**India's trade with the USA 2002-03 to 2007-08 (in US\$ millions)**

Year	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-08
<b>Export</b>	10,895.76	11,490.03	13,765.75	17,353.06	18,851.42	20,712.03
%Growth		6.46	19.81	26.06	8.63	9.87
India's Total Export	62,719.43	63,842.66	83,636.96	103,090.64	126,262.67	162,904.16
%Growth		21.10	30.86	23.41	22.48	29.02
% Share	20.67	18.00	16.48	16.83	14.93	12.71
<b>Import</b>	4,443.58	5,034.83	7,001.35	8,454.74	11,728.96	21,019.29
%Growth		13.31	39.06	36.04	24.43	79.24
India's total Import	61,412.13	78,149.11	111,617.44	149,166.73	186,604.10	261,439.17
%Growth		27.26	42.70	33.76	24.03	79.24
% Share	7.24	6.44	6.28	6.34	6.32	8.36
Total Trade	16,339.34	16,624.86	20,767.10	26,807.81	30,678.38	41,731.32
%Growth		7.73	26.67	29.09	14.07	36.47
India's total Trade	114,131.66	141,991.66	196,063.38	162,266.27	311,866.78	414,343.33
% Growth		24.41	37.37	29.33	23.63	32.86
%Share	13.44	11.64	10.66	10.63	9.80	10.07
Trade Balance	6,462.19	6,466.21	6,764.39	7,898.32	7,124.47	-307.26
India's Trade Balance	-8,692.70	-14,306.66	-27,981.49	-46,076.20	-69,341.43	-88,636.01

Source: Export Import Data Bank, Ministry of Commerce and Industry, Government of India, 2010.

**Trade in Manufacturing Sectors**

Manufacturing industry was one of the biggest contributions to Indian economy during the Bush tenure. During the period of Bush Indian manufacturing industry was one of the successfully challenging industries in the world's manufacturing marketplace. India has the potential to expand into a global manufacturing hub, since it possesses obligatory skills in manufacturing goods, the process and capital engineering. According to the United Nations Industrial Development Organizations (UNIDO) study, India positions among the top ten manufacturers of manufacturing output in 2008. The trade is becoming progressively important for goods that are extremely placed in the value procession and requires a reasonable amount of engineering, accuracy and quality. The following areas of research are interested in developing a better understanding of some of the vital challenges and imperatives of Indo-US trade relations in strategic sector..

Except defence and natural gas, Indian Pharmaceutical products are highly appreciated in the US and gained momentum in trade. Indian Pharmaceutical organizations were acknowledged with US \$10.8 billion in 2008-09 and raised at Compound Annual Growth Rate (CAGR) of 11.3% between 2005 and 2009. While large pharmacies hoped to move their concentration from the organized markets (US, Europe, Japan) to markets like in India, creating development and increasing profitability. As a result, it promoted the health care and general organizations with the chances to secure a remarkable share of the Regulated Market. India represents the most noteworthy number of Food and Drugs Administration endorsements in different nations as opposed to that of the US. India too represents third of each Drug Master Files (DMFs) and the most extreme number of Abbreviated New Drug Applications (ANDAs). Further, Pharmaceutical ventures have a tendency to acquire in a foreign nation keeping in mind the end goal to access capital that can improve their R&D capacity. India's common abode key coalitions with worldwide Pharmaceutical organizations to ensure their bland combinations and





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commonly advertise these medications universally. The biggest general market in the world, the United States is the major pharmaceutical fare showcase for Indian kinship with very nearly 19% of Indian pharmaceuticals sold to the US; India as of now has one company Lupin led – arrtribute among the best major companies in the US. With the upcoming patent cliff and health care enhancements, the obligation of Indian organizations in the general market in the US is expected to increase.

Also, India is the second in employment creations inreal estate sector in the world and it enhances the GDP of the economy. Also, during Bush Period, India was considered to be the world's 7<sup>th</sup> leading automotive industry by 2016 and it would be raised to the third position by 2030. The automobile industry increased 10% of India's GDP which is US\$ 45 billion and it also provided employment for 25% million by 2016.

Both the countries have vehicles industrialized facilities and train plants in the nation. Ford India Private constrained incorporates worldwide business administrations, which involve a business benefit focus and Ford Technology Service Center arranged in Chennai (Tamil Nadu), Coimbatore (Tamil Nadu) and New Delhi. These centers bolster Ford's worldwide collaboration in its regions, of Information Technology, engineering services, accounting and finance, global analytic and automotive operations support.General Motors India Private Limited has an innovative focus in Bangalore which is occupied with manufacturing design and Research and Development exercises for raising substitute, condition inviting gear for what's to come. Other American organizations in the Auto segment area were additionally huge. These Auto segment created plants which were located in Tamil Nadu, Gujarat, Maharashtra and the National Capital Region (NCR). It has also established a technological centre in Karnataka which is collaborated with the India based company Tirkurungudi Vengaram Sundaram (TVS) in Chennai. The production of Delphiis mostly original and qualitative in nature, therefore its parts and services have demand in Indian market and also in the North American countries. As a fast growing American company in India, Delphi is generating job opportunities for trained workers both in India and aboard.

Lastly, during George W. Bush period the renewable energy sector flourished. The overall installed capability of the renewable power segment in India positions at 17.174 MW. This is around 10% of the general introduced vitality generation limit in the nation. Among the inexhaustible assets of vitality, wind vitality represents around 70% (with roughly 12.000 MW) of introduced limit. This introduced limit of the sustainable division has increased at a CAGR of 26% amid 2006 to 2009. As indicated by India's national activities related to Climate Change, 5% of power created in the nation was required to originate from sustainable power sources by 2008. From there on, this was evaluated to increase by 1% every year for the following 10 years.

### **Trade in Services**

The economy of both India and the US are greatly contributed by services. Service sector accounts for 53.8% of the Indian GDP while its contribution to the US economy is about 80%. Further, the US depends on India for its mass requirements of skilled and semi-skilled cheap labour forces. This underlines the very fact that the trade services between India and the US are highly dependent on one another.

US economy accounts for 10% of the total global service imports in services such as accounting and commercial consultancies. This goes in line with India, currently being the sixth largest exporter of services. This is evident from the fact that India's commercial exports in terms of services rose to 92 billion in 2009. The growth in Indian trade services during 2001 to 2008 positively increased. It has successful increase in software sectors exports to the US. It makes a positive impact towards globalizing India for the rising of technological economy. Consequently, the progress in the software segment exports has also neglected other types of exports in services.

During the period from 2000 to 2001, the overall exports services were \$ 16.3 billion, but out of the whole services two-fifth accounted for software export. The contribution of exports in software during the period 2006-07 was at \$39.6 billion. According to RBI report, business services, journey and transport provide the dimension of other exports services from India. As of now, US provided the largest exporter service in the world totally \$497 billion during 2007. Globally the US provided the largest import services at \$378 billion in 2007. Their major service business followers are mostly the monetary advanced countries such as EU, Canada and Japan. These segments included the US service imports like transportation service importations which belong to monetary services, technical, professional, telecommunications, travel and business services.



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Lastly, according to the US based Bureau of Economic Analysis (BEA), Indo-US service trade accounted for \$ 20.0 billion in 2007. There are many divergences between India and the US data because of various definitional differences. But, these need to be resolved in order to achieve a correct picture.

Another strategic area to take into consideration is the insurance sector. The Life Insurance Council (LIC) states that India's life insurance market is flourishing at a speed 32 % to 34 % annually. LIC of India is estimated as US \$ 41 billion where the US insurance is the largest in the world; it has more than 1000 insurances for which the gross premium is estimated as US \$ 700 billion. The Insurance Regulatory Development Authority (IRDA) Act in 1999 allowed private companies and Foreign Direct Investment into Indian industries, when Indian density was lower at US\$ 11.5 per person compared to US\$ 3.266 per person. FDI on Indian insurance sector was raised from 26% to 47% in 2014. With the privatization of insurance sector, the insurance density increased up to US\$ 47 per person and the industries stepped up speedily 26% and the Compound Annual Growth Rate (CAGR) became 15% during 2001-2009.

Due to liberalization of Insurance sector, the Indian market groups grow potentially and also experience how to accelerate their potential. Similarly, the US insurance industry has given one billion chances to the Indian outsourcing enterprises. American International Assurance Co. Gathering (AIG), the New York Life (NYL) MetLife, Prudential of America, Marsh and McLennan Cos. Inc and Aon Corp are among the US based repayment and operators those have entered into the Indian Market.

## II INVESTMENT

An investment is the process or activity concerning investing of money or capital in order to gain profit. The US as the richest country in the world has assisted India through its investments and India too has reciprocated the same. The US has remained one of India's leading trading partners, a major supplier of investments, and the first preference for technological acquirement, important resources and aid support. There is a significant mutual investment relationship that flourishes between the two countries. The US continues to be the 3<sup>rd</sup> largest source of FDI India after Mauritius and Singapore. In fact, a large part of the investment coming into India from Mauritius is also from the US as majority of the US companies route their investments into India through Mauritius to avail the benefits of the double taxation treaty that India has signed with Mauritius. The US capital touches almost all the segment in India, which is open for confidential trading. The US companies have invested in almost every sector and carrying on number of the best business performs in commerce and technology transfer and most significantly, have created thousands of jobs in India.

Since 1991 economic reforms, a number of organizations dismantled in the parts of trade policy, levy, export-import direction principle and overseas scheme. De-licensing of trade, de-reservation of the public sector, reducing of rivalry controls, business reforms, deregulation of interest rates, and opportunity up investment markets were among the reforms accepted to promote investment and capital formation. The establishment of the various organizations such as Foreign Investment Promotion Board (FIPB), Secretariat of Industrials Assistance (SIA), and Foreign Investment Implementation Agency (FIIA) facilitated investment which has improved actual inflows substantially.

From the beginning of the 21<sup>st</sup> century Indian administration has simplified foreign investment regulations by increasing FDI equity caps and making more sectors adequate for the automatic route. The FIIA has also been vital in tumbling unwieldy measures and impediments. The post-reform phase also witnessed an enhanced FDI through industrial partnership, confirming improved investment norms. Finally, since 2005 there has been an increasing preference for Greenfield foreign investment rather than acquisition. Although an important share of FDI still appears from some countries, the FDI modifications have seen several sources. India's FDI flows used to be approximately five percent of China's FDI inflows in 2000. But these positioned at around thirty percent till the beginning of the global financial emergency in 2008.

After the revision of FDI definition which includes FDI equity inflows, impartiality capital of unincorporated bodies, re-invested incomes, and other investments, there has been substantial increase in total FDI inflows. FDI equity flows during the last couple of years 2005-2006 to 2008-2009 has been almost seven times more than the preceding years, 2000-2001 to 2004-2005. This section of the chapter describes all the investments made by the US in India and vice versa.



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## Drivers of Investment

Many drivers have played significant roles of outbound investments in India. In the areas like innovation, the demand of novelty in the US is speedy, because of the renovation of technology to the marketplace for trade objective. Further, the US reports for approximately 1/3<sup>rd</sup> of global Research & Development. Access to understanding has been a strategic concern for Indian solids in following to strengthen their competitive circumference and to move up the overall chain.

Likewise, the in area of common resources the interest for normal assets of India is on ascend in the US, as the regular assets are appropriating continuously alluring focus for Indian players. Various Indian organizations have been requesting to procure resources abroad, fixating especially on regular assets. A report demonstrates the Reliance's present accomplishment in the shale flammable gas assets of Atlas vitality and manufacture of common resources. Business bunches of India were enthusiastic in taking the technique for removing gas from shale generation.

Lastly, the ease of doing business in any market plays a major role getting more investments. Setting up Greenfield operation in the innovative market was complex with risks rather than easily obtaining an available company. Against the milieu of energetic trade surroundings where global rationalizations have become critical to remain competitive, this issue also advises Indian trader to consider extension.

## India's Investment

As a major trading partner of US, India continues to be the World's leading recipient of FDI. India is one of the top growing investor in the US. As the Indo-US trade and industry relationship expanded, investment from India contributes to the increase and vitality of American monetary scheme and the opportunities of jobs in the USA. Over the last few years, investment resources from India have grown. This rising flow of resources from India imitate the better combination of their economies and has carried many reimbursements to the US, growing U.S. exports and sustaining tens of thousands of jobs from the 2003 to 2008 alone.

The US played an important role through the investment in India; it also helped India's economic development. India's speedily growing economy along with its successful customer market and feasibility of skilled employees influenced and drew the attention of various companies of the US to invest in India. The Foreign Direct Investment inflow to India from the United States from 2000 to 2008 amounted to approximately US\$ 324.56. Indian investment and trade in the US in the past few financial years positioned at nearly US\$ 50 billion.

According to the most recent information, India's company Greenfield investment in the US from 2004 to 2009 total up to almost US \$ 5.5 billion and the typical resource for each arrangement was more than the US\$ 45 million. The three principal companies during that time were Minnesota, Virginia and Texas. Yet, Metal, IT, media and excitement, producing machines, hardware devices and monetary services were the divisions that got the greatest ventures.

During the period of 2004-05 and 2007-08, the yearly usual growth in India's real Foreign Direct Investment outflow was 100.9% which was far better than the advancement in the global FDI outflow. This fundamental increase in Indian outbound funds was credited to well-built financial growth, raising liberalization in India's foreign investment strategy, the simple openness of debt economics for traders promising to enter new markets, along with really competitive atmosphere that introduces Indian companies to extend into new markets, including foreign markets.

## The US Investment

Foreign Direct Investment (FDI) has been playing the most important role in the progress of financial growth of a country. While India continued its investment in the US, the reciprocations were also experienced during Bush administration. In this context, India and the US have extended their cooperation on the investment sector. While the investors achieve from high profits on their investments, India proceeds from the direct impact of wealth through creation of high class jobs, transfer of knowledge etc. Inflow of wealth can be the appearance of either Foreign Instructional Investment (FII) or Foreign Direct Investment (FDI). Net inflows through investment in India positioned at US\$ 32.2 billion during the first decade of the 21<sup>st</sup> century. The US is Indian's largest business and investment partner and is associated at various levels of economical exchange.

During the first decade of 21<sup>st</sup> century, the largest recipients of FDI **were** the service sectors followed by manufacturing companies. The sectors including financial services, food and beverages and construction were the largest



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US foreign direct investment inflows during 2004-2008. The current section deals with sectors as well as strategic areas in which the US has invested in greater extent and in doing so has contributed many positive reinforcements to the Indo-US economic relationship during Bush administration.

Several sectors have been playing an important role in the investment for the US departing accession. Information Technology and Information Technology Enabled Services, defence, pharmaceutical products, real estates and FMCGs are the key active sectors which have been considered the most imperative areas for India's in investment to the United States. These sectors of investment were developed during the beginning of the twenty first century especially under the Bush administration, which have been still continuing in the present scenario. The following sectors were highly invested under Bush regime.

To extend the military participation, both the nations set up the Counterterrorism Joint Working Group (CTJWG) in 2000 and the Cyber Security Forum (CSF) working in 2001 to battle against psychological oppression. New Framework of US-India Defense Relationship (NFDR) in 2005, which went for collaboration on the zones of shared interests of proceeding with security and power, to counter fear based oppression and religious fundamentalism, and disallowance of arms of mass obliteration and other related information materials and innovation.

In the present situation, Indian Information Technology business bunches has been raising their business venture base in the US. The best IT organizations from India have set up their exchanges and showcasing offices in various urban areas in the US. Over the most recent years, significant Indian organizations have put more than US\$ 800 million as local IT procurement.

The Indian IT part can be divided into three noteworthy fragments which are programming, IT administrations and ITES-BPO (Information Technology Enabled Services – Business Process Outsourcing). These can additionally be partitioned into sub fragments. The product fragment can be separated into programming items and designing and Research Development services. The IT benefit fragments can be partitioned into venture situated services (IT counselling, frameworks reconciliation, center design information show, arrange counselling and combination, and programming testing), centre IT outsourcing services application administration, Outsourcing and web or online business administration, and preparing and bolster services. The ITES-BPO section incorporates customer's connection, financing and bookkeeping, Human Resource (HR) and Knowledge Process Outsourcing (KPO) services.

Similarly, in 2009, Foreign Direct Investment in the real estate sector was US\$ 2.8 billion. The first investment of the US in India rendered high growth. It changed the field of liberation sector, commercial as well as residential of the economy. But the financial crisis hampered the real estate industries that estimated high amount of debt and demand.

Further, India's economic condition has been raised due to the impact of American investment in India on the fast moving consumer goods sectors. During Bush administration FMCG occupied the fourth largest income sector in Indian economy. This sector is expected to increase its products up to US \$ 74 billion by the year 2018. India is allowed up to 100 percent foreign equity on single brand retail and 51 percent on multi brand retails in this FMCG sector. The products such as unbranded, homemade and unpacked are also highly fragmented and take up almost 50 percent of the share. The American companies have been directly investing their product in India on the FMCG sector. The six categories of FMCG products such as detergent powder, skin care, hair care, cold drinks and toothpaste and packed foods. Some reputed companies like Proctors & Gamble company (foods, cleaning agents and personal care products), Pepsi Co Inc. (food and beverages), Coca-Cola (beverage) and Amway (direct selling of home care and personal care products) are working in India of FMGC sectors.

In the year of 2009 the American company Mylan signed an agreement with the Indian Biocan for manufacturing components and supplying its high level drugs in the world market. For instance, Pfizer Company launched medicines like Benadryl and Benylin cough syrup, Listerine mouthwash and Caladryl lotion in India which are now owned by Johnson and Johnson Company. The US pharmaceutical companies are also working in Over the Counter (OTC). In 2003 the American company Perigo started work in India. Earlier it focused to do business on pharmaceutical ingredients but later it entered the areas of analytical research and development, quality assurance, external auditing and sourcing. The US companies such as Quintiles Transnational, Omnicare Inc and Parma- Olam have been working in India especially on health care sector and they are also doing research on clinical trials. Both the US and India Stem Cyte companies are jointly doing business in India and conducting clinical tests.





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## Benefits for India

The US companies are also impacting India's growth. The US Company General Electric (GE) is operating in various sectors like aviation and transportation, energy, and health care etc. A company Huber is looking ahead to set up a Green field project for Kraft paper business in India. These companies are jointly working with India for manufacturing and renewable energy segment. Millennial Media In. is a main American free portable promoting and information stage controlling the application economy. They have a nearness in India however this remaining part insignificant because of absence of all around created advertise without a vast base of PDA clients William Scotsman Inc. is a US company that makes, rents, offers and oversees versatile interest for their items, particularly in the development areas.

### U.S. Assistance to India, FY2001- FY 2009 (in Million Dollars)

Program or Account	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
CHS	24.6	41.7	47.5	47.8	53.2	52.8	53.4	58.8	60.1
DA	28.6	29.2	34.5	22.5	24.9	19.7	15.7	10.5	0.9
ESF	5.0	7.0	10.5	14.9	14.9	5.0	4.9	-	-
IMET	0.5	1.0	1.0	1.4	1.5	1.3	1.5	1.2	1.2
INCLE	-	-	-	-	-	-	-	-	-
NADR	0.9	0.9	1.0	0.7	4.2	2.7	1.1	2.7	1.7
PEPFR	-	-	-	20.4	26.6	29.6	29.9	29.8	-
Subtotal	59.8	79.8	94.4	126.6	125.3	111.1	106.5	103.1	64.3
Food aid	50.4	77.5	35.7	30.8	26.1	30.7	34.0	13.5	13.5
Total	110.2	157.3	130.1	157.4	151.4	141.8	137.5	116.6	77.8

### Source: The US Department of State and Agriculture, U.S. Agency for International Development, FY2008 American Benefits

While Indian companies predict numerous openings and advantages by putting resources into the US, Foreign Direct Investment in the US additionally assumes a vital part in the US economy and this is probably going to advance. The US partnered external companies provide work to around 5.3 million US labourers, which is roughly 4.6% of private industry business. In the vicinity of 2003 and 2008, external companies reported in excess of 4.500 new activities which abdicated more than US\$314 billion in ventures and made around 632.500 new occupations. Normally US-based auxiliaries of remote firms pay 25% more compensation paid by US organizations. Amid the period 2001 to 2008 in excess of ninety Indian organizations have made 16.576 occupations in the US and spared in excess of 40.000 employments.

Indian companies putting resources into the US additionally help the US companies in their rebuilding endeavours and organizations that have been petitioned for insolvency, for the most part under section 11 of the United States Bankruptcy Code, are effectively taking care of the rebuilding procedure of debilitated units. For example, the accompanying arrangements in the course of the last two budgetary years include trouble and liquidation with respect to some dealers, namely- S. Kumar's procurement of Hartmarx, Lupin's securing of US rights for Antara, Cosmo's obtaining of ACCO's print completing business, Primal Healthcare's securing of Rx Elite and so forth.

Worker business visionaries, experts and students from India who move to the United States are also supposed to benefit by the US drawing in with India. Students seeking higher studies not just add to the US economy as their ability, yet in addition by bringing about educational cost, living and different costs. India has had the biggest number of foreign students in the US among all nations from starting point for eight back to back years. Amid the scholarly years, 2008-2009, 103260 students from India were studying in the US which expanded by 9.2% when contrasted with 2007-08.

## III

### MAJOR CHALLENGES

Even after all the advancements mentioned in the previous units, the development in economic partnerships has been worsened by periodic troubles, mostly based on differences in political rather than economic views. For example an





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infamous dissimilarity came on May 13, 1998, when the US imposed economic sanctions on India in response to its nuclear weapons tests. While economic engagements were at high level, many trade issues such as the Intellectual Property Rights, market barriers, stringent trade regulations and the silence of the US while handing Indo-Pak conflict had impacted the relation in a negative way. Further, the US criticized India for inefficiency of action and poor performance of the India's banking sector. The US argued that this system of India is blocking the openness of Indian economy with specific emphasis over the Market Access Barrier and Intellectual property Right which are discussed below. This section talks about the major challenges which were faced during Bush regime. The challenges have been discussed in the following pages.

Market Access Barrier (MSB) was one of the biggest challenges in developing Indo-US economic relations. Since 1991, as India's biggest business confere in the 21<sup>st</sup> century, the US has been positively responding to India's continuous effort to make economic reforms in the policies. A report generated by the United States Trade Representative (USTR) in the year 2000 states that the US export grew up to \$ 3.7 billion while the import of the US totalled \$ 10.7 billion in the same year. Despite the major reductions on tariff and other measures of market accesses for improving the economic control, there are number of trade barriers that remain to be eliminated in the Indian economic system. Due to the lower tariffs like wood, fertilizer medical equipment, computer, scrap metals agriculture products system of India the US export reportedly benefited.

Due to these economic issues, the import of consumer goods have been restricted but other goods such as agricultural equipments, The report of USTR also cited the existing barrier which has continued to exist in Indian economic sectors. There are many insurance companies which are owned by the government of India, most of them are in the banking sectors. However, in 1999, the Indian parliament passed a long-awaited bill called the Insurance Regulatory and Development Authority (IRDA) bill which had opened the foreign and domestic private insurance company's insurers. Through this regulation, the joint ventures of domestic and foreign insurance companies were able to participate together in the economic firms although their stakes were capped up to 26%. Again, in the year 2003 the US criticized Indian government's banking System because of their inefficiency and poor performance in the finance system. The US argued that this system of Indian banks have affected the openness of Indian economy in various sectors. Further, Robert Blackwill, the then US Ambassador to India stated this phenomena as "*the missing price in our bilateral partnership*" on the issue of bilateral trade between both the countries. In February 2003, another Statesman, the Deputy Trade Representative of America Jon Huntsman also pointed out that the "*India US economic relations has been too slow*" when he talked about the economic issue between India and the US. Additionally, reports of 2007 shows that in spite of the foreign trade barrier, the US had expressed its concern regarding the numerous aspects of India's economic and trade policies beyond her tariff rates and restrictions in imports. The report also highlights the critical aspect of the Indian customs for "extensive documentations" Intellectual Property Rights (IPR) is the right owned by a person or a country which implies exclusive rights of them in terms of using its own plans, ideals and/or supplementary intangible assets having no worries of market competition, at least for a specific period of time. IPR includes items like patents, copyrights, trade secrets and trademarks. These rights can be enforced through a court via lawsuit. The idea behind promoting the intellectual property is to promote innovation without having the fear of a competitor stealing the idea and/or seize the credit for it.

IPR is relevant for a country to enforce and allure other countries for foreign direct investment. It is generally enabled through fast track judicial procedure and strong implementation of the intellectual protection laws. This IPR issue also continued during Bush administration in 2001. The United States Trade Representative (USSTR) enlists India's name as one of areas in the special 301 priority watch list. In 2002, International property Alliance (IIPA) estimated that piracy of IPR in India cost US companies more than \$ 468.1 million. Among these issue on IPR, the US indentified India's "guiding attitude" towards imports which has produced "multiple, onion-like barriers" to likely exporters.

Despite these economic issues between India and the US there are many areas of economic cooperation which have paved the way to continue their economic partnership. Especially in the field of trade, investment was raised to the highest level during the 1<sup>st</sup> decade of 21<sup>st</sup> century. The US emphasized economical engagement with India during the two terms of George W. Bush presidency. The Indo-US economic relationship is also more important for political field, particularly, after the civil nuclear agreement between the two countries. From the above works, it is observed that the vital exchanging organization is just at the initial phase in making a more significant bilateral connection between the two nations with comparative ideologies. This will not just prompt further engagement in the areas like defence, counter-terrorism, IT,



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banking, producing, regular assets and counselling and so forth; it will additionally fabricate a more grounded individuals association and unite dynamism and new reasoning to make answers for the absolute most squeezing issues the world is confronting. A few steps have just been taken by both the legislatures crosswise over various outskirts.

Indo-US economic imperative is vital for both the counties on their bilateral partnership as well as strategic partnership. Even though, economic cooperation has continued for the development of both the nations with the economic aid and assistance of each other, the main goal of both the countries is to strengthen their strategic interest. Especially President Bush during his presidency was very much concerned about the strategic partnership. To protect the democratic countries from the interests of the communist countries and to contain the effects of terrorism were also the major challenges during his presidency. Therefore, the US administration was more focused the strategic partnership with India. India also supported the US on many issues regarding her national interest. Economic imperative is one of them for the development of Indian economy in various sectors. These economic imperatives of India reflect her bilateral partnership as well as strategic friendship with the US. Defence and security relation is also an important part which plays a major role between the two countries.

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