

Rising significance of Indo-US trade ties

Since 2013-14, bilateral merchandise trade has doubled to \$131 bn in 2022

India enjoys a strong economic and strategic relationship with the US, based on mutual trust and complementarity. India-US commercial dialogue provides a regular bilateral forum at the ministerial level to deliberate upon various issues to promote trade and investment, combined with private sector participation.

Recent optimism expressed by the US Secretary of Commerce Gina Raimondo visiting India to participate in the dialogue scheduled on March 10 with Commerce Minister Piyush Goyal, after a gap of three years, reveals the rising significance of trade relations.

Given rising conflicts between Ukraine-Russia, US-China-Taiwan and West Asia, with increasingly complex geopolitical dynamics, the US finds India, the world's largest functional democracy, as its natural ally opposed to autocratic regimes elsewhere.

India has demonstrated its unprecedented adherence to non-alignment during the Ukraine-Russia war by importing petroleum from Russia at a much lower price, saving billions of dollars despite the fury of the US, while maintaining strategically harmonious relations. Moreover, during its Group of 20 Presidency, the appearance of the leadership of warring nations on a single platform significantly transformed India's strategic position to play a crucial role in world diplomacy in a rapidly emerging multi-polar world.

In recent years, India has emerged as the preferred trade and investment destination for US firms in view of its rapid economic and technological rise in turbulent times when most nations still struggle to come out of their economic woes. Moreover, in view of the post-pandemic economic slump in China, severe disruptions in supply chains and its inclination to the US rivals in Ukraine Russia war necessitated the US government and corporates alike to find an alternative that makes India the most preferred destination for investment and sourcing its imports.

Immense unexplored bilateral economic potential

Technological complementarity between the two countries offers an

excellent opportunity to collaborate in a range of high-technology goods, including semiconductor, drone, and aircraft manufacturing, pharmaceutical and information technology research, as India seeks to achieve self-reliance and the US is in search of an alternative manufacturing location to China, which almost monopolises, especially in low-end semiconductor production.

Collaboration in technology-intensive manufacturing and defence production has fast emerged as another key area of mutual synergy and interest in view of India's recent policy resolve to 'Make in India'. The US has consistently been India's top export destination since 2013-14. Indo-US bilateral merchandise trade doubled to \$131 billion in 2022 and the total services and goods trade is estimated to surpass \$180 billion. In 2021-22, the US with \$76 billion accounted for over 18 per cent of India's total exports, much ahead of India's exports to the United Arab Emirates (UAE), \$28 billion (6.6 per cent), and China \$21 billion (3.8 per cent). During April 2022-January 2023, India's exports to the US grew at 5.25 per cent to \$65.5 billion, from \$62.3 billion during the same period the previous year, whereas India's exports to China declined by 36.8 per cent during the same period.

The US is among the highest foreign direct investment investor in India in terms of equity. The US accounted for the highest inward remittances with a share of 23.4 per cent to India, according to the Reserve Bank of India, leaving behind the UAE with a share of 18 per cent in 2021.

As India remains the world's top recipient of foreign inward remittances, expected to touch \$100 billion in 2022, the transformational shift to the US from the Gulf countries reveals the contribution of India's highly skilled manpower in the US.

Issues in India-US trade relations

The US is increasingly concerned about

changing trade dynamics in view of the recent trade deals by India with the UAE and Australia. Moreover, the US is keenly observing progress in India's trade negotiations with the European Union may considerably alter the US trade dynamics. Curbing the rising trade deficit with India, which jumped from \$24.9 billion in 2017 to \$36.9 billion in 2022, seems to be a priority for US policymakers. Therefore, serious attempts are being made by the US negotiators to find ways to penetrate the Indian market.

The US has a trade deficit with India for medicaments, polished diamonds, jewellery, petroleum products, bedsheets and linens, crustaceans and other marine products, motor vehicles, precious stones, etc, whereas it has a trade surplus in supplying crude petroleum, petroleum gas, coal, gold jewellery, nuts, acrylic hydrocarbon, denatured ethyl alcohol, etc.

India is also a major destination for American tree fruit such as apples, cherries, and pears.

India is the world's largest importer of almonds with a 59 per cent share and the US is its largest supplier worth \$749 million in 2021 with an 87 per cent share. The US strongly lobbies for the reduction of the import duty from the prevailing 30 per cent on tree fruit.

Besides, the US is also very keen to expand its market in India, especially for its agricultural and food products such as dairy, spirits and alcoholic beverages.

The US revoked the Generalised System of Preferences in 2019 during the Trump administration under which it allowed duty-free access to Indian goods into the US, which has also been a contentious issue between the two countries. Although India is consistently pursuing the US to revoke the same, it appears difficult in near future. However, the trade negotiations are likely to move forward on broad issues. The US is keen on getting India to

further liberalise its market for its services sector in education, insurance, banking and non-banking financial services, technically known as 'commercial presence', Mode II under the General Agreement on Trade in Services (GATS) agreement and digital commerce and payments under Mode I. On the other hand, India needs to protect its domestic interests and find ways to ease in movement of its professionals to the US under Mode IV of GATS.

Visa issues remain an area of concern for India in view of the high number of Indian professionals and students travelling to the US.

Ever-evolving non-tariff barriers by the US such as quality restrictions, environment, climate change, and child and patent requirements restraining the flow of Indian goods such as dairy and food products, among others, also remain on the anvil at bilateral negotiations.

India-US: Dependable strategic partners

India and the US are strategic allies with enormous trade complementarities and rising trade, investment, and strategic convergence with shared democratic value systems. The US often complains of infirmities in India's patent protection legal framework, issues related to quality and standards, and even high tariffs.

Subsidies provided by both countries have also often been a matter of contention. Some of these conflicting issues have also been taken to the World Trade Organization's dispute settlement body.

The US needs to understand India's sensitivities, especially in agriculture, rural population, and labour-intensive sectors, for which the forthcoming commerce dialogue provides a great opportunity.

Despite a host of divergent national interests, India and the US remain dependable strategic partners at several international fora. Such bilateral dialogues provide a steady platform for both countries to explore new opportunities for bilateral trade and investment and reinforce strategic partnerships.

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