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A Vision For The India-Us Trade Relationship

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Abstract

Trade relationship between the countries is a bilateral process in which the trade of goods and services from one of the country takes place into another. India has the bilateral trade with many of the countries but United States is one of the largest trading partners with India so it becomes more important to understand the specifics of the trade relationship of Indo-US. India and United States has a very old trade relationship even before the independence of India. As the time elapsed, the relationship of both of the countries got stronger. After the independence the first time when India US trade relations got a concrete shape is when US president Jimmy Carter visited to India in 1978. As to the present scenario, India and United States has the bilateral trade with $ 87.9 Billion dollars (two ways) of both in Goods and Services in 2018. So India bilateral trade with US in goods and services has increased with an average annual rate of 7.59 percent from 2008 to 2018 which is double in the value from $ 68.4 Billion to $ 142.1 Billion. The United States and India see one another as one of the important strategic partners to enhance common interests nationally and internationally. United States is the second largest trading partner of India in 2018; Whereas India is the Ninth largest trading partner of US. In 2018, India exported to United States worth of $54.34 Billion and imported from US of $33.50 Billion. India-US relationship will be one of the most consequential of the 21st century. It will also play a vital role in the international trade as well. So for promoting the India-US trade relationship it is necessary to understand each other's policies so that the hurdles which come in the way of trade from one country to another can be abolished easily and a road map for barriers free trade can be established.

Keywords: Indo-US, Bilateral trade, Export-Import.

INTRODUCTION

India's is the fastest-growing large economy in the world, with a rising middle class that can make it increasingly attractive to U.S. exporters. Many of these same companies are importers of services from India, the birthplace of outsourcing. Doing business with India is a

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complex challenge, given the country's sheer size, market diversity, decentralized political system and often nontrivial obstacles to the ease of doing business and trade.

India-US trade relation has its foundation in common values, including the rule of law and democratic principles. The United States and India have shared interests in promoting global security, stability, and economic prosperity through trade, investment, and connectivity. The United States supports India's emergence as a leading global power and vital partner in efforts to ensure that the Indo-Pacific is a region of peace, stability, and growing prosperity. The strong people-to-people ties between our countries, grounded in shared values, are a tremendous source of strength for the partnership. In 2018, India hosted the inaugural 2+2 Ministerial Dialogue in New Delhi led by the U.S. Secretaries of State and Defense, and the Indian Ministers of External Affairs and Defense, at which both sides affirmed the importance of India's designation as a Major Defense Partner of the United States and agreed to expand defense and security cooperation. The US-India Counterterrorism Joint Working Group, established in 2000, is one of the oldest dialogues between our two governments. The United States will host the next 2+2 Ministerial Dialogue in 2019.

The data of 2018 reveals that America is India's second largest trading partner and India is its ninth largest trading partner.[1] In 2018, America exported 33.5 billion US dollar worth of goods to India and imported 54.3 billion US dollar worth of Indian goods.[2] Major items imported from India includes Information Technology Services, textiles, machinery, gems and Diamonds, chemicals, iron and steel products, coffee, tea and other edible food products. A Major American item imported by India includes aircrafts, fertilizers, computer hardware, scrap metal hand medical equipments.[3]

The Ten major commodities exported from India to the United States are:

1. Gems, precious metals and coins
2. Pharmaceuticals
3. Oil
4. Machinery
5. Other textiles, worn clothing

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[1] Top India import partners;
[2] US Census;
[3] India-US economic trade relation;

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6. Clothing (not knit or crochet)
7. Organic chemicals
8. Knit or crochet clothing
9. Vehicles
10. Iron or steel products

The Ten major commodities exported from the United States to India are:

1. Gems, precious metals and coins
2. Machinery
3. Electronic equipment
4. Medical, technical equipment
5. Oil
6. Aircraft, spacecraft
7. Plastics
8. Organic chemicals
9. Other chemical goods
10. Fruits, nuts

RESEARCH METHODOLOGY

This research paper is blend of descriptive and exploratory research and the data taken in this research is purely secondary in nature and it is collected from the Indian government and the United States government organisation websites and Journals which is surely authentic.

STATISTICS OF INDO-US TRADE RELATIONS

There is a two way trade channel between India and America. Whatever trade is done in goods and services from 1995 to 2018 between India and America, the relevant data is given below:

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INDO-US TRADE IN GOODS

(In millions of U.S. dollars)

YEAR	EXPORT	IMPORT	BALANCE
1995	5.7	3.3	2.4
2000	10.7	3.7	7.0
2008	25.7	17.7	8.0
2013	41.8	21.8	20.0
2014	45.3	21.4	23.8
2015	44.7	21.4	23.3
2016	46.0	21.6	24.3
2017	48.5	25.6	22.9
2018	54.3	33.5	20.8

SOURCES: Office of the United States Trade Representative.

INDO-US TRADE IN SERVICES

(In Billion U.S. dollars)

YEAR	EXPORT	IMPORT	BALANCE
1995	0.9	1.3	-0.5
2000	1.9	2.8	-0.9
2008	12.7	10.0	2.6
2013	20.4	13.3	7.1
2014	22.4	15.3	7.1
2015	24.7	18.5	6.1
2016	26.2	20.6	5.6
2017	28.2	23.6	4.6
2018	29.6	25.2	4.4

SOURCES: Office of the United States Trade Representative.

Indo-US bilateral trade in goods and services increased from 104 billion US dollar in 2014 to 142.6 billion US dollar in 2018. Two ways mercantile trade stood at 87.8 billion dollar of the India's export of goods to US were valued at 54.3 billion dollar in India's Import of goods from US valued at 33.5 billion dollar. India-US trade in services stood at what is 54.8 billion

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dollar of this India's export of services to US valued at 29.6 billion US dollar and India's Import of services from US valued at 25.2 billion US dollar.

The United States seeks an expanded trade relationship that is reciprocal and fair. Bilateral trade in 2018 was $142 billion, a 12.6 percent increase from 2017. U.S. energy exports are an important area of growth in the trade relationship. In 2018 India purchased 48.2 million barrels of U.S. crude oil, a significant increase from 9.6 million in 2017. Last year, Indian students enrolled at U.S. colleges and universities contributed over $7 billion to the U.S. economy. The total number of Indian students in the United States has more than doubled over the last decade, from 81,000 in 2008 to a record high of 196,000 in 2018.

CONSTRAINTS AND POTENTIALS

No work or business is barrier free. Each country imposes a variety of restrictions to protect and promote its business, which are called trade barriers or constants from other countries' point of view. Any restriction of any country which hinders free trade, it is called a trade barrier. This constraint can be both type of tariff or non tariff. According to Article II of the GATT Agreement, Customs Duty, Negotiations or Ordinary levy are imposed on foreign goods is called tariff barriers. Any barriers other than the tariff Barriers, they are included in the Non-Tariff Barrier. Some of Constraints and Challenges from both countries are given bellow:

Constraints and Challenges of India:

1. FDI limit
2. Import Licensing
3. Standards, testing, labeling & certification
4. Anti-dumping and countervailing measures
5. Export subsidies and domestic support
6. Ease of doing business
7. Intellectual property rights (IPR) protection

Constraints and Challenges of USA:

1. Visa policy

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2. Restrictions and sanction
3. Different Legal Norms
4. Methods of payments and exchange rate
5. Geography and transportation

Converting challenges into opportunities

- By Make in India Initiative
- Extended FDI Limit by the Indian Government
- Set up Manufacturing Hubs by the Government
- Increased India US Defense Budget
- By Civil Aviation
- In the manufacturing sector, the trade between the two countries can increase in the following areas.
    - Textile;
    - Pharmaceutical;
    - Gems and jewelry;
    - Machinery tec.
- Start Ups Initiatives
- By Smart city schemes
- By Implementation of GST

CONCLUSION

India and USA both are democratic countries and there is trade cooperation between the two countries. American interest in India is also increasing because India is now one of the biggest economies with rapid growth rate having young human resource. India also holes to developing and huge middle class. Here in India, there are endless significant opportunities for investment. Because of all this American companies wants to participate in infrastructure and other schemes of development by investing considerably.

American Embassy in India has said that, “the development of a two way business will benefit both of the countries. Opportunity for talented people is created buy exchange of products and ideas which result in the new applications and improve and quality of our lives.

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We have seen this in the areas of innovation, Information and Communication Technology, pharmaceuticals, medical equipment, renewable energy, agriculture and infrastructure etc. Many of their developments have resulted from joint ventures and cooperation from business to business and from person to person level

The implementation of the economic reforms was the most important decision taken by India that has no doubt opened the way for easy passage of American goods, capital, services and technology. That today USA has become India's largest trading partner, major collaboration in Joint ventures and largest investments partner.

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