

INDIA-U.S. POLITICAL, ECONOMIC AND TRADE RELATIONS

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Abstract

India and the United States comprise the world's two largest democracies. India has a different perspective on the West Asian theatre than the rest of the globe. The U.S. views the war in Kashmir as the outcome of a long-standing issue that cannot be easily classified. Without a doubt, the forward location and expanded US strategic involvement in the South Asian district have helped control or at least control militancy and terrorist activity, prevented India-Pakistan tensions from escalating, and refocused attention on the necessity of territorial integrity through collaboration and conflict resolution.

After December 13, the presence of US forces in Pakistan was perceived as a stabilising influence, decreasing the possibility of war. In addition, South Asia has benefited from the worldwide fight on terrorism, as have many other regions. Territorial nations' initiatives to initiate conflict resolution processes constitute a first step toward broader coordination. Terrorism is the most heinous crime ever committed. This perspective, which is often unsettling, equates opiate brokers with illicit arms traffickers, sorted out misbehaviour, government individuals and authority, particularly knowledge organisations, and sorted out misbehaviour.

Paper Identification



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INTRODUCTION

India and US Democratic Relation

The two largest democracies in the planet are India and the United States. With a combined contribution to global GDP of roughly 28%, both economies hold a prominent place in the global economy. They have played a significant role in promoting global trade and wealth, with a combined share of roughly 13% in the global merchandise trade market. In contrast to the United States, India has emerged as one of the world's fastest-growing emerging economies. Indian policymakers have helped create a vibrant business climate by implementing numerous commendable reforms to ensure macroeconomic stability and advance social and economic growth.

Because of their developing economic ties and similar democratic principles, India and the United States have solid, growing bilateral trade and commercial partnerships across the board. Trade, investment, and connection between the two countries are mutually

beneficial to the global economy. For both countries, the other is a key strategic partner in promoting regional and global peace and stability. They have been working together for many years to present a positive and forward-looking perspective for the growing bilateral partnership.

As part of their ongoing dialogue, India and the United States have exchanged high-ranking officials on a number of occasions. Shri Narendra Modi has visited the United States on several occasions since taking office in 2014, participating in high-level global meetings and completing bilateral engagements. It was in June 2017 that our Hon'ble Prime Minister met with the then President of the United States, Donald J. Trump, and discussed a wide range of strategic issues. There are more than 50 bilateral inter-governmental discussion mechanisms between India and the United States for the sharing of ideas on a wide range of topics. Ministerial-level dialogue channels are common. There are a variety of methods for fostering bilateral communication, which are detailed on the next page.

sessions with the Indian-American community and the CEOs of prominent energy businesses in the United States. His "Howdy Modi" event attracted over 50,000 attendees and was attended by then-President Barack Obama.

For decades, India and the United States have maintained a close relationship through cultural exchanges and people-to-people connections. From a small minority to a well-established component of American society in the 21st century, the Indian Diaspora has grown significantly in the United States. The Indian-American diaspora has played a key role in fostering good bilateral ties by providing economic, political, and social resources to both countries.

Donald Trump's maiden trip to India as president in early 2020 provided another dimension to bilateral relations between the two economies. There were a series of efforts to expand economic cooperation between the two countries, including big defence deals, agreements on healthcare and energy sectors, and the initiation of negotiations for a massive trade pact.

Fig 1 High-Level Dialogue Mechanisms between India and USA

India-USA 2+2 Ministerial Dialogue	<ul style="list-style-type: none"> • Led by the heads of Foreign and Defence ministers • Two rounds held so far
India-USA Commercial Dialogue	<ul style="list-style-type: none"> • Led by India's Commerce Minister and USA Secretary of State • Last held in 2019
India-USA Economic and Financial Partnership	<ul style="list-style-type: none"> • Led by India's Finance Minister and USA Secretary of Treasury • Last held in 2019
India-USA Trade Policy Forum	<ul style="list-style-type: none"> • Led by India's Commerce Minister and the US Trade Representative (USTR) • Last held in 2017

Source: PHD Research Bureau, PHDCCI, compiled from Ministry of External Affairs, Government of India

As a result of these trips, the diverse connections between the two nations have been further strengthened. Narendra Modi, the Indian Prime Minister, will visit the United States in September 2019 for a series of high-level events and interactive

Additionally, the importance of 5G technology and its role as a tool for freedom, progress, and prosperity were discussed at length.

The United States has elected Joe Biden, a former US Vice President who served under President Obama

from 2009 to 2017, as its 46th President. During this time, India and the United States observed an increase in trust between the two countries. Mr. Biden has indicated his support for closer ties between the United States and India on numerous occasions. In the wake of the COVID-19 epidemic, India will see a re-energized bilateral economic agenda with the United States, which will promote economic growth, job creation, and the promotion of small enterprises, as well as an increase in trade and investment exchanges.

INDIA-USA BILATERAL ECONOMIC RELATIONS

In recent years, India's trade and economic ties with the United States have grown tremendously. Trade and business ties between India and the United States are an essential feature of the two nations' multi-faceted alliance.

Bilateral merchandise trade:

From over USD 62 billion in FY2014 to roughly USD 89 billion in FY2020, India-US merchandise trade has grown dramatically. Trade between India and the United States has climbed from approximately USD 39 billion in FY2014 to approximately \$ 53 billion in FY2020, while imports from the United States have risen by approximately USD 23 billion.

Fig 2 India-USA bilateral merchandise trade (in USD billion)

Year	India's exports to USA	India's imports from USA	Total Trade
2013-14	39	23	62
2014-15	42	22	64
2015-16	40	22	62
2016-17	42	22	65
2017-18	48	27	74
2018-19	52	36	88
2019-20	53	36	89

Double digit growth

Source: PHD Research Bureau, PHDCCI compiled from Ministry of Commerce and Industry, Government of India.

In addition, bilateral commerce in goods between India and the United States has grown by double digits in recent years, and the two countries' trade relations have made significant development. For the second year in a row, the United States was India's top trading partner in FY2020, a sign of growing economic connections between the two countries.

During FY2020, USA's share in India's total merchandise exports to world stands highest at around 17%. India's top 10 export items to USA include pearls & semiprecious stones, pharmaceutical products, vehicles, electrical machinery, machinery and mechanical appliances, textiles & articles, mineral fuels, mineral oils, among others.

Fig 3 India's top 10 export items to USA during FY2020

S.No	HS Code	Commodity
1	71	Natural or cultured pearls, precious or semiprecious stones...
2	30	Pharmaceutical products
3	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.
4	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.
5	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.
6	63	Other made up textile articles; sets; worn clothing and worn textile articles; rags
7	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.
8	62	Articles of apparel and clothing accessories, not knitted or crocheted.
9	03	Fish and crustaceans, molluscs and other aquatic invertebrates.
10	61	Articles of apparel and clothing accessories, knitted or crocheted.

Source: PHD Research Bureau, PHDCCI compiled from Ministry of Commerce and Industry, Government of India

In terms of imports, USA ranks 2nd highest amongst India's top 10 sources of imports with a share of 8% in FY2020. India's top 10 import items from USA include mineral fuels, mineral oils, pearls &

semiprecious stones, machinery and mechanical appliances, electrical machinery, organic chemicals, aircraft, spacecraft, optical & measuring instruments, plastic and articles, among others.

Fig 4 India's top 10 import items from USA during FY2020

S.No	Commodity
1	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.
2	Natural or cultured pearls, precious or semiprecious stones...
3	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.
4	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.
5	Organic chemicals
6	Aircraft, spacecraft, and parts thereof.
7	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;
8	Plastic and articles thereof.
9	Miscellaneous chemical products.
10	Edible fruit and nuts; peel or citrus fruit or melons.

Source: PHD Research Bureau, PHDCCI compiled from Ministry of Commerce and Industry, Government of India

BILATERAL SERVICES TRADE

Trade in services between India and the United States has grown from approximately USD 34 billion in 2013 to over USD 54 billion in 2019. Trade in services with the United States has grown from approximately USD 20 billion in 2013 to around USD 30 billion in 2019, while imports from the United States have grown from around USD 13 billion in 2013.

The majority of India's service exports to the United States are in the fields of telecommunications, computer and information services, research and development, and travel. Trade between the two countries in the service sector includes goods and services in the fields of travel and intellectual property (computer software, audio and visual associated items).

Fig 5 India-USA bilateral services trade (in USD billion)

Year	India's exports to USA	India's imports from USA	Total Trade
2013	20	13	34
2014	22	15	38
2015	25	19	43
2016	26	21	47
2017	28	24	52
2018	30	25	55
2019	30	24	54

Source: PHD Research Bureau, PHDCCI compiled from various sources

India-US Economic Relations in Post-Liberalisation, Privatisation and Globalisation Period

For India-US relations to develop, the end of the Cold War and beginning of the Indian economic reform of 1991, which coincided with the revaluation of Indian information technology in 1991, transformed the entire scenario and strengthened the economic potential. India and the United States both relied on one another throughout that time. During this time, India needed a large amount of foreign investment. As a result of this, the American corporate community was eager to find new markets for their products in India, which is the world's second-largest democracy and the world's most populated nation.

In the years following the end of the Cold War, the United States has been trying to reshape its foreign policy. 'Reviving our economy' is our top priority both internationally and domestically,' said President Bill Clinton. A new Economic Security Council will be established, and the culture of the State Department will be transformed so that economics is no longer seen as the poor relative of foreign policy! The diplomacy of the ancient days. Previously, the US economy was mostly self-sufficient; now, it is heavily reliant on export-driven growth. Since 1966, trade's share of the US economy has increased by two and a half times. Trade is now as important to the United States as it is to Europe and Japan. Liberalism has also taken root in India, which is adapting to its changing surroundings. All countries, including India, are keen to join the global economy in this era of globalisation. Due to shifts in the bipolar world system following the end of the Cold War, India and the United States became closer, since the former lacked an alternative to guide its foreign policy and the latter sought markets to promote commercial interests. Since recently, India has emerged as a software powerhouse. The two countries' bilateral relationship is being shaped by new economic realities. The conclusion of the Cold War has significant ramifications for Indian strategy in foreign affairs.. In the early 1990s, India's economy was in a state of flux. The 1990s were marked by sustained

economic development and progress in economic reform, although the decade began in a state of uncertainty and turmoil. The economic crisis that gripped India in 1991 was caused by a wide range of interrelated variables. In spite of India growing faster in the 1980s than in previous decades, the proportion of the national government's budget deficit increased with time. The fiscal deficit peaked in the 1980s at almost 9% of GDP, and it remained at that level for the rest of the decade. Also, inflation increased in the 1980s and was 10% in the outset of the 1990s.

Several causes contributed to the BOP crisis of 1991. A short-term surge in the price of oil was caused by Iraq's invasion of Kuwait in August 1990 and the subsequent Gulf War. Precarious economic conditions have been exacerbated by this. For example, the World Bank argues that oil price increases, the loss of foreign exchange earnings by Gulf region workers, worker displacement, and decreased export revenues have severely affected India and other South Asian and East Asian countries. Foreign exchange reserves were at their lowest level since the end of the Gulf War. No major party won an unambiguous mandate from the public, resulting in political instability. Finally, many overseas lenders were concerned about India's impending financial disaster.

India-US Economic Relations after Global Financial Crisis

Because India is the second-biggest economy in the world and the United States is the world's largest, bilateral relations between the two countries have always been under international attention. A "strategic alliance built on multiple common principles and enhanced economic and trade links" has been pursued between Washington, DC, and New Delhi, India, since 2004. The Indian economy is expanding at an ever-increasing rate, and American businesses see the country as a viable investment opportunity. Indian policymakers hope to continue the reforms that have

been started in the country's past several decades in order to make it more open and market-oriented.

Since the collapse of the US subprime mortgage market, the entire world has been gripped by a financial and economic crisis (Nanto, 2009; Bosworth and Bosworth, 2009). There are several possible causes for the crisis, but the most obvious are severe financial irregularities, excessive risk taking, and an enormous global imbalance that has persisted for a long time. People's faith in an open international trading system is under jeopardy as a result of the crisis, which has the potential to reverse the economic progress made by many countries (Lamy, 2012). In the new era of globalisation, this is the first global recession (Slight?, 2008). India has grown significantly in the decades after globalisation, up to the onset of the financial crisis in mid-2007. The Indian economy's rapid rise has been aided by international trade, which has played a significant part in this process.

Because its banks were not unduly exposed to subprime lending, India, like most emerging countries, was able to avoid the initial round of negative effects. As India's economy and financial systems become more integrated, it is becoming clear that the country faces some downside risks as a result of the developments in the US economic crisis. Housing bubble was exacerbated by a combination of the crisis imbalances and U.S. monetary, fiscal, and regulator policies that highlighted the risks of disintermediation as well as corporate governance standards. This crisis has resonated throughout countries like India because of the enormity of the US economy and the severity of the financial shock there. This has the potential to have significant ramifications for the economic connection between the two countries.

Bilateral investments and trade between India and the US play a key role in India-US ties. Reforms implemented since 1991 have reshaped the Indian economy and helped it become more integrated into global market economy. 's Improvements in growth

rates, investment and trade flows, and the reduction of income poverty are all a result of the reform process. By 2030, India is expected to be one of the world's top five economies, a position it has held since the late 1990s when the United States largely overlooked it as a regional power. Trade and investment relations with the United States have greatly benefited as a result of these changes. When it comes to foreign direct investment, India is a popular destination for American investors. Investments from the United States have impacted nearly every industry in India. Private participants are welcome.

Investing in the United States by Indians is on the rise. Efforts have been made since 2000 to develop the institutional structure of bilateral economic relations through regular communication and engagement with the "India-US Economic Dialogue." There are significant geopolitical and economic ramifications of the current financial crisis on the global system. As a result, the United States' domestic economic policy imperatives have been exposed, bringing in new players like India and China to the game. It is yet unclear how much of the economic crisis's obstacles may be turned into opportunities in a country like India.

Global Crisis and Indo-US Trade Relations

Foreign trade financing and the sharp decline in global trade were two of the initial transmission channels of the international financial crisis. Exports were the first to be hit hard by the crisis in India, as they were in the majority of countries with a reasonable level of global integration. In 2011, India was the 13th-largest trading partner of the United States, with total goods trade of US\$ 57.8 billion.

Indo-US Relations Under Obama Administration

Indians were less inspired by this progress in American-Indian ties, even if everyone else saw how a new era began with the November 2008 election of

Barrack Obama as the 44th US President. Disillusionment set very quickly as President Obama offered little to India, despite the initial excitement around his victory as the world's most powerful leader. After Indian Prime Minister Manmohan Singh's visit to the United States in November, things didn't really alter much.

To get a sense of the current state of US-Indian relations, one can look back to the election of Barack Obama in 2008.

Many countries, including Iran, Cuba, and North Korea, welcomed Obama's announcement that he would use multilateral diplomacy in an effort to end the eight years of unilateralism under George W. Bush. Concerns that Obama will renew security cooperation with Pakistan, do little about Pakistan's anti-India actions, and push India to limit its role in Afghan rebuilding continued to resurface in India's minds. The Obama administration's resolute emphasis on non-proliferation measures raised concerns that it could jeopardise bilateral civil nuclear cooperation.

President Obama gave little thought to India during his first administration. There was a strong sense of the underlying logic. In the short or long term, India posed no threat to US interests. There were no terrorists in India at the time. Neither the black market nor the global crisis, not even the US economy, promoted the proliferation of WMD in India, and the country showed no signs of becoming a "failed state." As a result, India was unlikely to help the United States clean up its mess in Iraq or stabilise Afghanistan by sending troops. Why, then, should Obama's foreign policy prioritise a relationship with India?

However, as the days progressed, it looked that the White House's foreign policy emphasis was rapidly retreating from developing relations with India. For a long period, the US government did not dispatch an ambassador to New Delhi. Unexpected suggestions for resolving the Kashmir conflict poured in. President Obama and his foreign policy team were adamant that

India must sign the NPT, the CTBT, and any future FMCT that may be negotiated. They continued to do so.

Instead, the air was filled with lauds for the Pakistani government's support in combating terrorism. It was also timely for the Obama administration when it announced a new policy that would penalise American corporations who outsource their employment to India. As a result, President Obama issued a warning to American pupils, warning them that students from India and China were outperforming them academically.

Hillary Clinton, the US Secretary of State, travelled to China and Indonesia but skipped India because she didn't think it was necessary. Vice President-elect Joe Biden did not make a stop in New Delhi on her way to Asia from Islamabad, where she had previously been visiting. Barack Obama paid a visit to Cairo and delivered a lengthy speech to Muslims around the world. For the most part, he spoke only positively about Islam, but the reality that India's Muslim population has been participating in the democratic process for decades has been overlooked.

In the early days of Bill Clinton's presidency, all of these happenings reminded one of that time. The new Indian Ambassador to the United States had to wait months before he could offer his credentials to President Clinton.

During the first several months of Obama's presidency, it appeared that the terrible old days had returned. Early Clinton and early Obama eras differed in many ways. By the time Bill Clinton took office, India had become a distant ally of the United States. The Soviet Union, India's longtime ally, had collapsed just a few years before to Clinton's inauguration to the White House's Oval Office. As a result, Bill Clinton's initial approach to India was reasonable, rational, and understandable.

CONCLUSION

A major increase in commercial and economic ties between India and America has occurred despite long-standing challenges such as nuclear proliferation and Kashmir's human rights violations. Clearly, this shows that both parties are serious about the possibility of creating closer, long-term commercial connections that benefit both parties. International trade and investment ties have a lot of room for growth. The current level of trade and economic connections does not match the available potential because of the lack of a strong political commitment and ambitious policy measures. It is imperative that both countries make a concerted effort to exploit this potential for mutual benefit.

Trade relations between India and the United States have remained imbalanced since the end of the Cold War. Although they've made significant progress thus far, they're now close to reaching their full potential. Because of difficulties like intellectual property rights, slow decision-making, and technology trade and investment that could have been better handled without them, today's trade and investment relations would be considerably better.

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