



## TRADE AND ECONOMIC PARTNERSHIP BETWEEN INDIA AND USA

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**ABSTRACT**

India, the world's third-biggest economy, is of course essential trading and economy sector consort for USA. India and United States of America contribute to a well-established and emerging economic connection fueled by commercial and visionary individuals, institutions, and businesses in both nations. This commitment, which includes commerce, education, cultural, and home links, is always at the forefront of the United States-India relationship and strategic partnership, and it continues to grow. From 2000 to 2013, our bilateral commerce increased sixfold. Last year, US products exports to India totaled \$35 billion, resulting in creating a large number of jobs in both our country and the US. USA has invested more than \$28 billion, according to a study of the top US companies in India, and this investment supports half a million employees in India. The progress of government policy to achieve investment in every possible way and open latest areas to privatized investment will continue to gear up the economy related growth, progress, and increasing wealth which is our solid economic commitment brought to two nations.

The objectives of the paper are to assess trade potential, total trade potential between two countries, and the goods with most significant importance between our country and USA, to investigate the trading opportunities in the services industry. Investigate the commercial possibilities between India and the United States. Other objectives is to summarize volume of informal and formal trade. Investigate the pathways of investment flows that increase trade ties and the role of institutions in promoting trade. Trade and commerce are critical components of India and the United States' rapidly expanding and multifaceted relationship. From a low level in 1990, commercial trade-in products rose twelve-fold in 2014. From 2013 to 2014, India's goods exports to the United States increased by around 8%. Between 2013 and 2014, US goods exports to India decreased by 1%. During January-December 2014, bilateral goods trade between India and the United States totaled \$67 billion. Bilateral economic and commercial relations and India's participation in international trade organizations are essential foundations of the still young significant power friendship. The US government hopes to achieve five hundred billion dollar in year wise bilateral products and services trade with India by 2023, a more than five-fold increase from the ninety-seven billion dollar total in 2013-14. Both nations benefit from the connection in terms of jobs.

**KEYWORDS :****INTRODUCTION**

Business between India and the United States was always closely connected to the two nations' political ties, rather than being driven only by economic reasons. In 1974, restoration of commercial ties was made on a list of both ways agreed agreed-upon items. The United States, furthermore, has maintained to receive imports of a restricted number of products from our country, despite that indicates that number of items on the list has slowly and steadily risen. This temporary business climate led to substantial easy trade flows between our country and US for the first period since 2005. The trade process began in 2005 with Commerce Secretary level negotiations on commercial and economy related cooperation between our country and the US. Trade talks were to be considered as part of this broad debate, along with a discussion of numerous other problems. This was the first step towards decoupling trade debates from other concerns.

Instead, commercial activities between both the countries steadily increased year by years. The amount to which commercial prospect may be fulfilled between our country and the United States will rely on various variables. Identifying trade barriers can assist policymakers in taking appropriate steps. Necessary to analyze influence of trade processes on formal trade influx to establish the extent to which trade potential may be fulfilled. FDI helps to strengthen trade ties and preserve trade advantages. Between the two countries, new prospects for profitable bilateral commerce have emerged. This research evaluates the commercial interest between our country and the United States and the way of fulfillment of the prospect. The commercial opportunities between our nation and the United States are

expected to be within 11 billion dollar and approximately 20 billion dollar using the Trade Possibility Approach for all products exchanged. India's trade potential is at approx 11 billion dollar, with an export potential of almost 8 billion dollar and an import potential of three billion dollar. The study calculates the commercial potential of these products. According to a sector-by-sector study, bilateral trade will benefit if both nations liberalize their textile sectors, with the United States liberalizing its car industry. Trade opportunities have been found in the services industry, including IT sector, BPO sector, health and medical care units, and amusement. The research highlights industries with investment potential and the potential to strengthen economic ties between our country and USA.

Even though commerce trade between Bharat and the USA has increased significantly in recent years, each country claims that some parts of the other's economic and trade policies impede more trade and investment growth. The Obama Administration plans as non-tariff trade obstacles. Current American rules on visas for temporary foreign employees and payroll taxes, according to the Indian government, are non-tariff trade obstacles that discriminate against Indian workers. While both governments claim that their actions follow international accords and address local needs, these views continue to strain bilateral ties.

**STATEMENT OF THE PROBLEM**

Since India's independence, economy and commercial relations between the America and India have had many ups and downs. During most of the 1950s and early 1960s, the United States was India's most important commercial partner, accounting for around one-third of the country's imports.

Washington and New Delhi have been seeking a "strategic relationship" based on several common principles and better economic and commercial cooperation since 2005. India is experiencing tremendous economic growth, and many American firms see India as a profitable market and a possibility for foreign investment. For its side, the present Indian administration sees itself as carrying on the 1991 economic reforms aimed at converting a quasi-socialist economy into a more open, market-oriented economy. However, the US administration is worried that India's market policies are moving too slowly and unevenly.

According to formal US trade data, bilateral goods commerce with India has more than tripled in a decade, from less than \$10 billion in 1996 to almost \$31 billion in 2006. In 1996, India was the 32nd biggest export market for the America and the 25th largest import supplier. By 2006, India has grown to become the America's 21st largest export market and the 18th largest provider of imports. In 2006, the United States' overall trade with India surpassed Israel, Nigeria, and Thailand.

### LITERATURE REVIEW

To be specific, manufacturers may play a significant role in assisting India in meeting its employment targets. A McKinsey Quarterly research estimates that India's construction and mechanical industry may increase six-fold to one trillion dollar by 2026, producing up to ninety million local employments.

Kumar and Sen Gupta mentioned that six important factors are impeding India's manufacturing sector's competitiveness, covering (i) the presence of entrance permits, (ii) labour source issues, and (iii) process related problems.

Report of ITC' 2011 study reveals that the "Impact of China's Intellectual Property Infracton" and "Aboriginal Innovation Policies on the US Economic Congress" should direct with an immediate effect that the "US ITC" to investigate how India's mercantilist policies harm the US economy.

Aside from trade barriers in individual industries, various other obstacles restrict commerce among Bharat, USA and different international countries. According to the "NTE study, 2012" on "Foreign Trade Obstacles", despite the government of India's ongoing economic reform efforts, "US exporters continue to confront tariff and nontariff barriers that hamper imports of US products." According to "India's 2012 National Trade Estimate Report on Foreign Trade Barriers", the basic customs tax has not been decreased in the last four years. According to the "2012 National Trade Estimate Barriers Report", our country's strict and opaque laws and processes regulating local ownership hinder incoming investment and raise risk to new entrants. Price controls in some areas, like the medical industry, have weakened incentives for foreign capital venturists to grow their stock holdings in India. In sustainable energy, India has implemented local content criteria for wind turbines and solar panels. India's high sales volume over the last two decades—including the development of a global ICT software and its industry—has primarily resulted from its decision in the early 90s to desert the constrictive trade and investment strategies that defined our economy in 70s and 80s in favour of founding principles of free markets. Indeed, the early 90s liberalization of country's economic and trade policies profoundly influenced the Indian economy. For instance, country's GDP growth was at 4.22 percent annual rate from 170 to 191. However, after India adopted economic and trade liberalization policies in 1991, GDP grew at a 6.81 percent annualized increment from 1992 to 2011, implying that country's economic liberalization policies contributed to a sustained average of forty percent more incredible GDP growth per year for almost twenty-five years. Similar effects may be seen in India's contributions to regional

(Asian) economic growth that hiked by one-third following nation's early 90s economic reforms. Specifically, India generated 9.8 percent of regional economic development from 1970 to 1990, increasing to 15.5 percent from 1990 to 2010. Since 1980, Bharat's GDP has grown at around 6.5 percent each year, and it has grown at a rate close to 9 percent in the previous decade. As a result, it has emerged as a significant power, with a 4.7 trillion-dollar economy that surpassed Japan to become the world's third in 2012, after only republic of China and the USA. Its products and services trade are near 1 trillion dollar, and it is anticipated to increase every eight years.

Since 1980, India has grown at around 6.12 percent per year, with a rate of almost 9 percent in the previous decade. Its products and services trade are near a trillion dollar, and it is anticipated to increase every seven years. However, India has recently undergone tremendous instability. Following many years of solid expansion, averaging close to nine percent India's GDP growth slowed beginning in late 2010, hitting a low of 4.5 percent in the fourth quarter of 2012.

Same way, India's "Foreign Direct Investment" grew, albeit from a low base of around 3.5 billion dollar in 2000 to billion dollar shortly before the recession. "Foreign Direct Investment" has not fully recovered from the global financial recession, but new initiatives should keep the trend going. India's "Foreign Direct Investment" inflows kept lot behind those of republic of China. Thus, India must make up for China's almost two decades of growing "Foreign Direct Investment".

### RESEARCH METHODOLOGY

Research is an ongoing process, and involves a lot of technical facts. Clifford Woody mentioned that research allows identifying and structuring issues, formulating hypotheses which could be considered as a proposed solution, collecting, sequencing, analyzing data, drawing conclusions, and making deductions. The study used secondary data gathered from books, journals, papers, and websites, among other sources.

### OBJECTIVE OF THE STUDY

- To assess the export performance, overall commercial bonding between two countries, and the goods with the most significant leverage between India and United States.
- To investigate the trading opportunities in the services industry.
- To identify India's and the United States' trade potential.
- To calculate the trade transaction costs and to identifying non-tariff issues, and proposed solutions, finding the way of informal commerce, and channelizing through proper channels.

Estimate the impact of India-US bilateral relations, which have evolved into a worldwide strategic alliance as interests on bilateral, regional, and global problems have converged. According to a summary of export and import data from 2009 to 2014, the United States and India have been growing commercial partners and have had considerable trade increases compared to previous years.

### MUTUAL TRADE AND INVESTMENT TRENDS Potential & Possibilities for Trade

In this part, researchers evaluate existing trade patterns, commercial prospect between our country and USA, makeup of optimistic and reactive lists, and the extent to which these items account for trade potential. The secured way with the most significant commercial opportunities has been marked, and the consequences of opening them up to have been examined. Sectors expected to experience import competition when the harmful and sensitive lists are liberalized and

highlighted. Trade promise and potential in crucial service industries have also been investigated.

**Bilateral Trade Trends**

Business and commerce are critical components of India and the United States' fast developing and multifaceted relationship. From a low of 5.6 billion dollar in 1990, merchandise trade grew to \$ 66.9 billion in 2014. India's goods exports to the United States increased by 8.1 percent from 41.85 billion in 2013 to \$ 45.23 billion in 2014. Merchandise exports from the United States to India decreased by 1% in 2014, from \$ 21.84 billion in 2013 to \$ 21.63 billion in 2014. During January-December 2014, bilateral commodity business between India and USA was \$ 66.86 billion.

Export & Import during the year 2014	
USA, Export to India	USA, Import from India
Precious stones & metals (24.7%)	Textiles (16.4%)
Aircraft, spacecraft parts (13.6%)	Precious stones & metals (21%)
Machinery (9.7%)	Pharmaceutical (10.7%)
Electrical machinery (6.5%)	Mineral fuel & oil (10.2%)
Optical instrument & equipment (5.9%)	Machinery (5.1%)
Mineral fuels & oil (5.8%)	Organic chemicals (5%)
Organic chemicals (3.3%)	Electrical machinery (3%)

**Trade Opportunities in Goods and Services**

Additional trade opportunities exist in the other service industry, which is growing constantly significant in the economies of Bharat and the United States. In 2011-12, this sector accounted for fifty nine percent of nation's GDP and fifty four percent of the GDP of United States. Three promising segments are: IT, BPO, medical service, and amusement industries. In 2011-12, our country's IT and BPO sector generated 87.6-billion-dollar revenue. In 2011-12, software exports totaled sixty-nine billion dollar, up from fifty-nine billion dollar in 2010-11. Exports dominate the sector, accounting for around 78.4 percent of overall sectorial income. Indian IT service offerings have progressed beyond application development and maintenance to full-service providers of testing and infrastructure, consultancy, and system integration. The BPO industry, which once provided primarily low-value services, now provides a broader range of services. Although the IT sector in the United States is still in its infancy, it is expanding rapidly. IT exports were 440 million dollar in 2011, up from 432 million dollar, the previous year (IMF). As both nations compete in information services, this is one of the possible areas that might be utilized. India and the United States can form joint ventures. While the United States may be able to supply experts at cheaper salaries. Indian firms may be able to assist in the purchasing of foreign contracts (Husain 2011). The United States is developing as a market leader in export services of specialized software like Graphics and videogames, finance related service, and medical care units, that Indian firms may be interested in importing. The two nations might also benefit if India establishes training institutes in the United States or if skilled manpower from the United States come to India for imparting skill development training. The BPO industry in the United States is expanding as well. Govt. subsidies to the other country's outsourcing sector include hundred percent equity ownership, hundred percent capitals and dividend repatriation, and income tax exemption for IT businesses till 2016. India may work with BPO businesses in the United States to provide additional valuable services in this area. Another area in which both nations may benefit is healthcare provision.

Because of the low cost of treatment and advancements in the area of medicine, our country evolved as an important destination for the supply of medical services. Several individuals from the United States have traveled to India for

medical procedures such as liver transplants, open heart surgery, and kidney transplants (Ahmad 2012). Other specialized therapy is also available to patients in the United States. Despite a strict visa process, the number of patients traveling from the United States to our country is increasing. During the same time period, 2,917 visas were given to medical attendants. In the health industry, there is a lot of room for collaboration. There are trade opportunities in the entertainment business. Because our country and the United States share a similar language and culture, there is potential for commerce and collaboration in the cinema business. Bollywood film industry is the second biggest cinema producer of the world, whereas the United States makes comparatively much lesser that this. The ban's main goal was to preserve the national film making segment. Nonetheless, despite the prohibition, American film making division has struggled a lot. In 2008, the restriction had been removed.

**U.S.A. Export & Import in goods with India: 2014**

(Millions of US\$)

Quarter	Exports	Imports	Balance
Quarter 1	4663.50	10600.60	-5937.10
Quarter 2	5045.40	11791.90	-6746.50
Quarter 3	5700.30	11794.10	-6093.80
Quarter 4	6218.30	11041.50	-4823.20
<b>TOTAL 2013</b>	<b>21627.60</b>	<b>45228.10</b>	<b>-23600.60</b>

**U.S.A. Export & Import in goods with India: 2013**

(Millions of US\$)

Quarter	Exports	Imports	Balance
Quarter 1	5153.20	9685.70	-4532.50
Quarter 2	5946.80	11681.60	-5734.80
Quarter 3	5585.60	10909.80	-5324.20
Quarter 4	5156.60	9568.30	-4411.70
<b>TOTAL 2013</b>	<b>21842.20</b>	<b>41845.40</b>	<b>-20003.20</b>

**U.S.A. Export & Import in goods with India: 2012**

(Millions of US\$)

Quarter	Exports	Imports	Balance
Quarter 1	4604.00	9508.90	-4904.90
Quarter 2	5334.90	10363.40	-5028.50
Quarter 3	6100.80	11395.70	-5294.90
Quarter 4	6066.00	9244.50	-3178.50
<b>TOTAL 2012</b>	<b>22105.70</b>	<b>40512.60</b>	<b>-18406.90</b>

**U.S.A. Export & Import in goods with India: 2011**

(Millions of US\$)

Quarter	Exports	Imports	Balance
Quarter 1	4529.60	7918.30	-3388.70
Quarter 2	5986.30	10017.40	-4031.10
Quarter 3	5387.80	9587.30	-4199.50
Quarter 4	5638.50	8631.50	-2993.00
<b>TOTAL 2011</b>	<b>21542.20</b>	<b>36154.50</b>	<b>-14612.30</b>

**U.S.A. Export & Import in goods with India: 2010**

(Millions of US\$)

Quarter	Exports	Imports	Balance
Quarter 1	3980.30	6509.70	-2529.40
Quarter 2	5215.00	7862.70	-2647.70
Quarter 3	4988.00	7771.80	-2783.80
Quarter 4	5065.90	7388.50	--2322.60
<b>TOTAL 2010</b>	<b>19248.90</b>	<b>29532.90</b>	<b>-10284.10</b>

**CONCLUSION**

For more than three decades, starting in 1980, India's economy has grown at an annual rate of around 6.5 percent, with growth rates approaching 9 percent in the previous decade. The consequence has been the emergence of a significant force with an economic activity (4.8 trillion dollar) that in 2012 surpassed Japan to become the globe's third-biggest, trailing only China & the United States. With a total value of over a trillion dollar in goods and services traded annually, the

country is anticipated to multiply seven two hundred percent over next seven year. This dynamism increased the number of business opportunities available in the America. Exports of products from the United States to India have risen by over 700 percent in the previous decade. In the previous four years, the export of services has more than doubled. The amount of FDI from America grew from 200 million dollar to 6 billion dollar.

A vital component of the rapidly developing and dynamic relationship between our nation and the America is trade and business. While the trade-in merchandise products started as a small \$ 5.6 billion business in 1990, it had grown to \$ 66.9 billion in 2014. India's product exports to the United States increased by 8.1 percent in 2014, from \$41.85 billion in 2013 to \$ 45.23 billion in 2014, according to the Indian government. Product exports from the United States of America to India decreased by 1%, from \$ 21.84 billion in 2013 to \$ 21.63 billion in 2014, representing a decrease of \$1 billion. From January to December 2014, bilateral product trade our country and America was 66.86 billion Dollar.

The increase in total trade and investment has positively impacted bilateral trade between both the nations. Since 2000, India's exports to America have risen by almost two hundred and fifty percent, from Nine billion dollar in 2000 to thirty-two billion dollar in 2011. America is our most significant source of exports revenue. However, the most significant growth has been in US exports to India, which have climbed by over 700 percent, from 3 billion dollar to 23 billion dollar since 2000. On the other hand, the republic of China has surpassed the America as our most significant provider of products and services, and the USA is no longer even among India's top three suppliers of imports. Because trade between the US and our nation is nicely managed, unlike trade between our country and the Republic of China and trade between America and China, the potential for trade frictions resulting from the rate of exchange (ROE) and macroeconomic policy is reduced in the case of trade between our country and America.

The volume of services traded between our nation and the America has grown. Between 2006 and 2010, American exports of services to our country became quadruple, rising from around twelve billion dollar to almost twenty-five billion dollar annually. While the world was experiencing a worldwide financial crisis, this extraordinary growth happened. The export of services from Bharat to the USA follows a similar pattern.

Because of this, the United States and India have pursued a "strategic partnership" since 2004, with the "Fifth Strategic Dialogue Meeting" taking place in New Delhi in the middle of 2014. The engagement's economic and commercial connections are a critical component of its overall strategy. India with second largest population of the world, is also its third-biggest economy (when it comes to GDP per capita), having just surpassed Japan in terms of its contribution to worldwide gross domestic product (GDP). Apart from this, the economy is experiencing its worst economic slump since the 1990s, with yearly growth only averaging 5 percent and inflation remaining stubbornly high at above 20 percent. Experts essentially believe that for our nation's worldwide domination to continue to rise. As a result, for the country's desirability as a partner in the United States to expand even further, the country's unfavourable economic trends must be reversed.

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