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Trade and Economic Partnership Between India and Usa

KEYWORDS: Export, Import, Trade, Balance of Payment, Gross Domestic Product

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ABSTRACT *The same as the world's 3rd largest economy, India is a significant trade and economic partner for the United States. The India and United State of America contribute to a well-built and emergent economic relationship driven by commercial and visionary individual, institution and business in both countries. This commitment including trade, education, cultural and domestic ties has always been at the leading edge of the U.S.A.-India relationship and strategic partnership and continues to expand. Our bilateral trade expanded six times from 2000 to 2013. USA goods export to India totalled dollar thirty five billion last year, supporting a creation of huge amount of employment in Indian as well as in USA. The investment in India by USA exceeded twenty eight billion dollar and a survey of the largest USA employers in India indicates that USA investment supports half a million jobs in India. In advancement of government act to make easy investment in both direction and open new sectors to private investment will continue to speed up the economic growth, development and increased wealth that our deep economic commitment has delivered to both countries.*

To estimate the trade potential, total bilateral trade potential and the items having the largest potential between India & USA .To observe the trade possibilities in the services sector. Explore the trade potential between India and USA. To concludes magnitude of informal and formal trade. Explore the channels of investment flows deepen trade linkages and the role of institutions in enhancing trade.

Trade and commerce form a crucial component of the swiftly growing and multi-faceted relation between India & USA form a modest in 1990, the trade in merchandise goods has increased to twelve times in 2014. India's merchandise export to the USA grew by around eight percent from year 2013 to 2014. USA exports of merchandise to India fell by one percent from year 2013 to 2014. India –USA bilateral merchandise trade during the period January-December 2014 was sixty seven billion dollar.

Bilateral economic and trade relation, as well as India's role in international trade bodies represent major pillars of the still relatively new major power friendship. The US government aspire to reach five hundred billion dollar in annual bilateral goods & services trade with India by 2024, a more than five –fold increase from the ninety seven billion dollar total in 2013.The relationship also support employment in both countries.

Introduction:
Trade between India and USA has always been inextricably linked to the political relations the two countries share, than being merely governed by economic factors. A protocol on resumption of trading relations was signed in 1974 on a list of mutually agreed items. USA, on the other hand, continued to allow imports of a limited number of items from India, although the number of items on the list has increased steadily first time since 2005, This provisional trading environment resulted in large easy trade flows between India and USA, The process of trade was put in motion in 2005 during the Commerce Secretary level talks on Commercial and Economic Co-operation between India and USA. In this comprehensive dialogue, trade negotiations were to be discussed along with a dialogue on several other issues. This was the first step towards delinking trade discussions from other issues. Rather, bilateral trade has only been raising over the years the extent to which trade potential can be realized between India and USA would depend on a number of factors. Identifying impediments to trade can help policymakers take relevant measures. To determine the extent to which trade potential can be realized, it is also important to assess the impact of trade process on formal trade flows. Foreign Direct investments can help in deepening trade linkages and in sustaining trade gains. Fresh opportunities for attractive bilateral trade have opened between the two countries. This study estimates the trade potential between India and USA, and estimate how this potential can be realized. By means of the Trade Possibility Approach for all items traded the trade potential between India and USA is estimated to lie between US$10.9 billion and US$19.8 billion. Of the US$10.9 billion trade potential, India's export potential accounts for US$7.9 billion and import potential US$3 billion. The study estimates the trade potential accounted for by these items. Sector wise analysis shows that bilateral trade shall receive enhance if the textile sector is liberalized in both countries, with USA liberalizing its automobile sector too. In the services sector, trade possibilities have been identified in Information Technology (IT), Business Process Outsourcing (BPO), health and entertainment services. The study identifies sectors which hold potential for investments, and are likely to deepen the trade linkages between India and USA.

Although merchandise trade between India and the United States has grown rapidly over the last five years, each nation contends that some aspects of the other are economic and trade policies hinder greater trade and investment growth. For example, the Obama Administration considers India's intellectual property rights (IPR) protection as inadequate, and its localization policies as non-tariff trade barriers. The Indian government considers current U.S. laws on visas for temporary foreign workers and payroll taxes

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as non-tariff trade barriers that discriminate against Indian workers. While both governments maintain that their policies are compliant with international agreements and respond to domestic needs, these perceptions continue to create tension in bilateral relations.

Statement of the Problem:
Economic and trade relations between the United States and India have experienced a number of ups and downs since India's independence. During much of the 1950s and early 1960s, the United States was a leading trading partner for India, providing the nation with about a third of its imports.

Since 2005, Washington and New Delhi have been pursuing a "strategic partnership" based on numerous shared values and improved economic and trade relations. India is in the midst of a rapid economic expansion, and many U.S. companies view India as a lucrative market and a candidate for foreign investment. For its part, the current Indian government sees itself continuing the economic reforms started in 1991, aimed at transforming a quasi-socialist economy into a more open, market-oriented economy. However, the U.S. government is concerned that India's economic reforms are progressing too slowly and unevenly.

According to official U.S. trade statistics, bilateral merchandise trade with India has grown from under $10 billion in 1996 to nearly $31 billion in 2006 — a trebling in a decade. In 1996, India was the 32nd largest market for U.S. exports and the 25th largest source of imports. By 2006, India had risen to be 21st biggest export market for the United States and the 18th biggest supplier of imports. The United States' total trade with India in 2006 exceeded that with Israel, Nigeria, and Thailand.

Literature Review:
To be sure, manufacturing can certainly play an important role in helping India meet its employment goals. In fact, a McKinsey Quarterly report, fulfilling the promise of India's manufacturing sector, finds that India's manufacturing sector could grow six-fold to $1 trillion by 2025, creating up to 90 million domestic jobs.

As Rajiv Kumar and Abhijit Sen Gupta of ICRIER (the Indian Council for Research on International Economic Relations) write in Towards a Competitive Manufacturing Sector, six key factors are holding back the competitiveness of India's manufacturing sector, including: (i) the presence of entry barriers (e.g., making it difficult to start a new business), (ii) labour market rigidities, (iii) procedural constraints, (iv) exit barriers, (v) emerging skill constraints; and (vi) infrastructure. Congress should immediately direct the U.S. International Trade Commission (ITC) to initiate an investigation of how India's mercantilist policies damage the U.S. economy, as it did with the ITC's 2011 report examining the Effects of China's Intellectual Property Infringement and Indigenous Innovation Policies on the U.S. Economy. Beyond barriers to trade in specific industries, a number of additional hurdles impede trade between India and the United States (and other foreign nations). For example, as the 2012 National Trade Estimate Report on Foreign Trade Barriers notes, "U.S. exporters continue to encounter tariff and nontariff barriers that impede imports of U.S. products, despite the government of India's on-going economic reform efforts. "According to the 2012 National Trade Estimate Report on Foreign Trade Barriers, India has not reduced the basic customs duty in the past four years. As the 2012 National Trade Estimate Barriers Report 4 explains, "India's stringent and non-transparent regulations and procedures governing local shareholding inhibit inbound investment and increase risk to new entrants."14 Price control regulations in some sectors, such as the pharmaceutical sector, have further undermined incentives for foreign investors to increase their equity holdings in India. In clean energy, India has introduced local content requirements for wind turbines and solar India's robust economic growth over the past two decades including its development of a world-class information and communications technology (ICT) software and services industry—has largely arisen from its decision in the early 1990s to abandon the restrictive economic and trade policies that characterized the Indian economy of the 1970s and 1980s and instead embrace core tenets of free markets, open and non-discriminatory trade, and openness to flows of goods, people, technology, and capital. Indeed, the liberalization of India's economic and trade policies in the early 1990s have had profoundly positive impacts on the Indian economy. For example, India's gross domestic product (GDP) grew at a 4.21 percent annualized rate from 1970 to 1991, but after India's embrace of economic and trade liberalization policies in 1991, India's GDP grew at a 6.81 annualized rate from 1992 to 2011, meaning that India's economic liberalization policies contributed to a sustained average of 40 percent greater GDP growth per year for a period of two decades. Similar impacts can be seen in India's contributions to regional (Asian) economic growth, which increased by one-third after India's economic reforms in the early 1990s. Specifically, India contributed just 9.8 percent of regional economic growth from 1970 to 1990, a rate that increased to 15.5 percent over the period from 1990 to 2010. India's economy has been growing rapidly, at about 6.5 percent for over three decades since 1980, and close to 9 percent in the last decade. As a result, it has emerged as a major power with an economy ($4.7 trillion) that in 2012 became the world's third largest (in purchasing power terms), surpassing Japan and now behind only China and the United States. Its trade in goods and services is close to a trillion dollars, and expected to double every seven years.

India has experienced about 6½ percent growth, for over thirty years since 1980, and nearly 9 percent over the last decade. Its trade in goods and services is close to a trillion dollars, and expected to double every seven years. But recently, India has experienced a bout of severe turbulence. After several years of rapid growth, averaging close to 9 percent, India's GDP growth decelerated from late 2010, reaching a low of 4.5 percent in the last quarter of 2012.

Similarly, India's FDI has also increased but from a very low base of about US$3.5 billion in 2000 to US$43.5 billion just before the crisis. FDI has not completely recovered from the global financial crisis but recent measures should carry forward the momentum established earlier. India's FDI inflows remain well below those of China (which have averaged close to US$ 100 billion over the last decade), so India has to catch up for the nearly two decades of surging FDI that China has benefitted from.

Research Methodology:
Research is an academic activity and as such the term should be used in a technical sense. According to Clifford Woody research comprises defining and redefining problems, formulating hypothesis or suggested solution: collecting, organizing and evaluating data, making deduction and reaching conclusion. The study is based on secondary data obtained from books, journals, reports, websites etc.

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Objective of the Study:
The study aims on the following:
To measure the trade potential, total bilateral trade potential and the items having the largest potential between India & USA and also to observe the trade possibilities in the services sector.

To identify the realisation of trade potential between India and USA and to estimate the transaction costs of trade. What are the non-tariff barriers and how can these is addressed?

To identify the magnitude of informal trade and how can it be shifted to formal channels.

How can investment flows deepen trade linkages? What is the role of institutions in enhancing trade?

To estimate the impact of India-U.S. bilateral relations which have developed into a global strategic partnership based on increasing convergence of interests on bilateral, regional and global issues.

To summarised the export and import from 2009 to 2014, since 2009 USA & India becoming growing business partner & gained multiple growth in trade comparison of past time.

Trends in Mutual Trade and Investment:
Trade Potential and Possibilities
In this segment we look at the current trade trends, assess trade potential for India and USA, examine the composition of the pessimistic and responsive lists, and consider the extent of trade potential accounted for by these items. The protected sectors having the highest trade potential are identified and implications of opening up these sectors have been discussed. The sectors that are likely to face competition from imports once the negative and sensitive lists are further liberalized have also been identified. Trade promise and potential in the important service sectors have been examined as well.

Trends in Bilateral trade
Trade and commerce form a crucial component of the rapidly expanding and multi-faceted relation between India & USA form a modest $ 5.6 billion in 1990, the trade in merchandise goods has increased to $ 66.9 billion in 2014. India's merchandise export to the USA grew by 8.1% from 41.85 billion during the year 2013 to $ 45.23 billion during the year 2014. USA exports of merchandise to India fell by 1% from $ 21.84 billion during the year 2013 to $ 21.63 billion during the year 2014. India –USA bilateral merchandise trade during the period January-December 2014 was $ 66.86 billion.

Table 1: 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 Possibilities in Goods & Services
There are additional trade possibilities in services sector which is becoming increasingly important in the economies of India and USA. In 2011-12, this sector accounted for 59 percent of India's GDP and 54 percent of USA's GDP. Three sectors, where there is potential include information technology and Business Process Outsourcing (BPO), health services, and entertainment services. India's IT and BPO sector revenues were US$ 87.6 billion in 2011-12. Software exports in 2011-12 were US$69 billion compared to US$59 billion in 2010-11. Exports dominate the industry and constitute about 78.4 percent of total industry revenue. Indian IT service offerings have evolved from application development and maintenance to emerge as full service players providing testing and infrastructure services, consulting, and system integration (Economic Survey, Government of India 2011-12). The BPO sector which initially offered only low value services is now characterized by greater breadth and depth of services. Although the IT industry in USA is in its infancy, it is growing at a fast pace. IT exports in 2011 were US$ 440 million, up from US$ 432 million in the previous year (Balance of Payment Statistics, IMF). This is one of the potential areas which could be exploited as both countries are competing in information and information services. India and USA can establish joint ventures. While USA could provide professionals at lower wages, Indian companies could help in procurement of international contracts (Husain 2011). USA is emerging as an exporter of specialized software services such as gaming and animation, financial services and healthcare, which Indian companies could import. The two countries could also gain if India sets training institutes in USA, or if professionals from USA come to India to get professional training. The BPO segment in USA is also growing. Government incentives to the international outsourcing community include 100 percent equity ownership, 100 percent repatriation of capital and dividends, and income tax exemption for IT companies till 2016. India could collaborate with the BPO firms in USA to offer more value added services in this segment. Healthcare service is another area in which there are opportunities for both countries.

India has emerged as an important destination for provision of medical services due to affordable cost of treatment and advancement in the field of medicines. Several USA patients have been visiting India for medical treatment like liver transplant, open heart surgery and kidney transplant (Ahmad 2012). Other specialty treatment is also being offered to USA patients. For instance, the Mumbai Obstetric and Gynaecological Society is providing treatment for infertility to USA couples (Mid- Day 2012). Despite a relatively tight visa regime, the number of patients coming from USA to India is on the rise. In addition, 2,917 visas were issued to medical attendants during the same period**.** There is a vast scope for cooperation in the health sector. There are trade possibilities in the entertainment industry as well. India and USA share a common language and culture, thus providing scope for trade and co-operation in the film industry. India is the second largest producer of movies in the world, while USA produces very few movies. The purpose of the ban was largely to protect the domestic film industry. However, despite the ban the USA film industry has not done well (The Express Tribune 2012). The ban was lifted in 2008.

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Table 2: 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
TOTAL 2014	21627.60	45228.10	-23600.60

Table 3: 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
TOTAL 2013	21842.20	41845.40	-20003.20

Table 4: 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
TOTAL 2012	22105.70	40512.60	-18406.90

Table 5: 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
TOTAL 2011	21542.20	36154.50	-14612.30

Table 6: 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
TOTAL 2010	19248.90	29532.90	-10284.10

Conclusion:

India's economy has been growing rapidly, at about 6.5 percent for over three decades since 1980, and close to 9 percent in the last decade. As a result, it has emerged as a major power with an economy ($4.7 trillion) that in 2012 became the world's third largest (in purchasing power terms), surpassing Japan and now behind only China and the United States. Its trade in goods and services is close to a trillion dollars, and expected to double every seven years. This dynamism has expanded opportunities for US business. US exports of goods to India have increased close to 700 percent in the last decade. Exports of services have doubled in the last four years. US foreign direct investment (FDI) has increased from $200 million to $6 billion. Moreover, trade and FDI flows between the two countries are balanced, minimizing the scope for macroeconomic and currency-related tensions.

Trade and commerce form a crucial component of the rapidly expanding and multi-faceted relation between India & USA form a modest $ 5.6 billion in 1990, the trade in merchandise goods has increased to $ 66.9 billion in 2014. India's merchandise export to the USA grew by 8.1% from 41.85 billion during the year 2013 to $ 45.23 billion during the year 2014. USA exports of merchandise to India fell by 1% from $ 21.84 billion during the year 2013 to $ 21.63 billion during the year 2014. India –USA bilateral merchandise trade during the period January-December 2014 was $ 66.86 billion.

This surging overall trade and investment has benefitted United States-India bilateral trade. India's exports to the US have increased by about 250 percent since 2000, from US$ 9 billion in 2000 to US$32 billion in 2011. The United States is India's largest export market. More dramatically, US exports of goods to India have increased by nearly 700 percent, from US$ 3 billion to US$ 23 billion. However, China has overtaken the US as India's largest supplier of goods and services, and the US is not even amongst the top three sources of imports for India. It is important to note that US-India trade is broadly balanced unlike India-China and US-China trade, so that the scope for trade frictions from exchange rate and macroeconomic policy is minimized in the case of India-US trade.

Trade between India and the US in services is also surging. Between 2006 and 2010, US exports of services to India (cross-border delivery plus sales by US foreign affiliates) have more than doubled from about US$ 12 billion to nearly US$ 25 billion. This remarkable growth occurred during the global financial crisis. A similar trend characterizes India's exports of services to the USA.

The United States and India have been pursuing a "strategic partnership" since 2004, and a Fifth Strategic Dialogue session was held in New Delhi in mid-2014. Economic and trade relations are a key facet of this engagement. India is the world's second most populous nation (after China) and its third largest economy (in terms of purchasing power parity), having recently supplanted Japan in share of global GDP.5 However, the country is also in the midst of its worst economic slowdown since the 1990s, with 5% annual growth and persistently high inflation. Experts generally agree that, for India's international influence to continue to grow and thus further boost its attractiveness as a U.S. partner the country's negative economic trends need to be reversed.

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