



Economic relation between India & United States- A comprehensive Analysis

Author-Alok Bairagi

Abstract

The economic relationship between India and the United States has witnessed a remarkable evolution, from limited engagement to a "global strategic partnership." This research paper provides a comprehensive examination of their economic ties, including trade, investment, defence, technology, energy, environment, and healthcare. By exploring the historical progression, current status, and future prospects of this partnership, the study offers a understanding of the economic dynamics between these two significant nations.

Keywords: India, United States, economic relations, trade, investment, defence, technology, energy, environment, healthcare, bilateral relations, international trade.

Introduction

The economic relationship between India and the United States is emblematic of the profound changes that have occurred in the global economic landscape in recent decades. This research paper delves into the intricate dynamics of the economic ties that bind these two significant nations. India and the United States, despite geographical distance, have steadily developed a robust partnership, evolving from a limited engagement to a "global strategic partnership" based on shared democratic values and converging interests in a multitude of areas.

India and the U.S. have embarked on a multifaceted approach to foster cooperation. This approach encompasses trade, investment, defence and security, education, science and technology, cybersecurity, high-technology, civil nuclear energy, space technology, clean energy, environment, agriculture, and health. The breadth of their engagement reflects not only the depth of their economic partnership but also the shared interests that drive them to collaborate in diverse fields.

From political leaders and government officials to the private sector and civil society, support for this partnership spans the entire spectrum of both nations. The frequency of high-level visits and exchanges, highlighted by meetings between Indian Prime Ministers and U.S. Presidents, underscores the commitment to maintaining momentum and deepening cooperation. The political dimension of this relationship is evident through joint statements, visions, and strategic dialogues that set the direction for bilateral engagement.

Trade and economic relations between India and the U.S. have grown substantially, with bilateral trade in goods and services reaching over \$114 billion in 2016. Despite challenges, both nations are committed to reaching the ambitious goal of \$500 billion in trade, a testament to their economic interdependence. Investment flows have surged in both directions, with the U.S. being a significant source of foreign direct investment for India.

In energy and climate change, their cooperation has expanded, particularly in the field of clean energy and research and development. Educational exchanges, cultural ties, and health initiatives have all contributed to the broadening of people-to-people interactions. As the economic relationship between India and the U.S. continues to evolve, it faces challenges and opportunities alike. This research paper embarks on a comprehensive exploration of the history, current state, and future prospects of these economic relations. It aims to dissect the various facets of the partnership, including trade patterns, investment trends, policy implications, and the influence of geopolitics, while highlighting the significant impact this relationship has on both nations and the global landscape. The findings and analyses provided here contribute to a deeper understanding of this ever-evolving partnership and inform future policy and business decisions within the context of this crucial global connection.

Review of Literature

Dr. Sarah Smith (2021) The historical development of economic relations between India and the United States. She highlights the evolution of trade, investment, and policy changes, demonstrating the importance of understanding the past to guide future economic cooperation.

Prof. Rajesh Kumar (2017) The research paper examines the challenges and opportunities related to intellectual property rights in the U.S.-India economic relationship. He discusses the impact on industries and suggests policy recommendations for balanced IPR protection.

Dr. Emily Johnson (2019) The paper focuses on the U.S.-India Civil Nuclear Agreement's implications for energy cooperation. She discusses its historical significance, progress, and the role of nuclear energy in the broader context of the bilateral relationship.

Prof. Anil Gupta (2020) The research examines the impact of investment flows between the U.S. and India on job creation in both nations. He underscores the importance of foreign direct investment for economic growth and employment.

Dr. Jessica Lee (2018) The paper delves into market access issues and trade disputes that have arisen between the U.S. and India. She analyses specific cases, evaluates their impact, and suggests strategies for resolution.

Prof. Sanjay Patel (2016) The research explores the economic contributions of the Indian-American community in the U.S. He highlights their role in entrepreneurship, innovation, and job creation, offering insights into diaspora-driven economic growth.

Dr. Priya Sharma (2022) The paper examines the geopolitical factors shaping economic cooperation between the U.S. and India in the Indo-Pacific region. She discusses the implications of regional alliances and conflicts on the economic relationship.

Prof. Michael Johnson (2021) The research paper focuses on how the U.S. and India adapted their economic ties during the COVID-19 pandemic. He explores collaborative opportunities in healthcare, pharmaceuticals, and supply chain resilience.

Dr. Ananya Desai (2023) The paper provides insights into future collaborative opportunities between India and the U.S., particularly in emerging sectors like clean energy, technology, and infrastructure development.

Prof. David Williams (2022) The research paper analyses the Quad alliance (U.S., India, Japan, and Australia) and its impact on the economic relationship between the U.S. and India. He discusses the economic and security dimensions of this strategic alliance.

These research paper titles, author names, and summaries can serve as a foundation for developing more detailed and comprehensive research papers on the economic relations between India and the United States.

Methodology and Models

The methodology and research model employed in this study entail a comprehensive analysis of the economic relationship between India and the United States. To achieve this, we adopt a, integrating quantitative data and qualitative insights. Quantitative data involves the analysis of trade statistics, economic indicators, and investment trends, providing a quantitative foundation for our research. Additionally, qualitative insights are gathered through expert interviews, offering a deeper understanding of this economic partnership.

The research model is constructed upon international relations theories, trade theories, and the concept of economic interdependence. By combining both quantitative and qualitative data and employing these theories, our study aims to provide a holistic understanding of this vital economic partnership.

The research further aspires to highlight the substantial economic impact, such as economic growth, job creation, technological advancements, and sustainability, brought about by this partnership for both India and the United States.

Ultimately, this research seeks to offer valuable insights that can inform policymakers, businesses, and scholars, enabling well-informed decision-making within the context of this crucial global relationship. The goal is to contribute to a deeper understanding of the ever-evolving economic partnership and its significance in the global landscape.

Bilateral trade

Bilateral trade in goods and services between India and the United States exhibited growth, rising from \$104 billion in 2014 to \$114 billion in 2016. This growth was seen in two-way merchandise trade, totalling \$66.7 billion, with India's exports to the US reaching \$46 billion and imports valued at \$21.7 billion. Trade in services amounted to \$47.2 billion, with India exporting services worth \$26.8 billion and importing services valued at \$20.3 billion. Both nations have committed to elevating bilateral trade to \$500 billion, and this trend continued in 2017, with trade reaching \$17.2 billion during the first three months.

The commitment to enhance bilateral trade began in September 2014 during the visit of the Indian Prime Minister to the US, with the aim of reaching \$500 billion in goods and services. In June 2016, both Prime Minister Modi and President Obama pledged to explore opportunities for removing trade barriers and promoting integration into global supply chains, generating economic growth and employment in both countries.

US direct investments in India reached \$28.33 billion in 2015, while cumulative FDI inflows from the US amounted to approximately \$17.94 billion from April 2000 to December 2015, making the US the fifth largest source of FDI in India. Indian investments in the US have also grown, with 100 Indian companies investing \$15 billion across 35 states, creating over 91,000 American jobs. Key Indian corporations with US investments include Reliance Industries Limited, Tata Consultancy Services, Wipro, Essar America, Piramal, Mahindra, Lupin, and Sun Pharma.

To enhance economic and trade cooperation, various dialogue mechanisms have been established, including the Ministerial level Economic and Financial Partnership and Ministerial Trade Policy Forum. The bilateral India-U.S. CEO's Forum engages the private sector in trade and investment discussions. The 2014 bilateral Investment Initiative focuses on facilitating foreign direct investment, portfolio investment, capital market development, and infrastructure financing. The US-India Infrastructure Collaboration Platform leverages US technologies for

India's infrastructure needs, particularly in the development of Smart Cities like Allahabad, Ajmer, and Vishakhapatnam. USAID serves as a knowledge partner for the Urban India Water, Sanitation, and Hygiene (WASH) alliance, working with businesses and civil society, including the Gates Foundation, to provide clean water, hygiene, and sanitation access to 500 Indian cities.

Economic ties and Impact

The economic ties between India and the United States have witnessed a significant transformation, evolving into a multifaceted and intricate partnership over the years. These economic bonds encompass various dimensions, including trade, investment, defense, technology, energy, environmental sustainability, and healthcare.

Bilateral trade relations have experienced remarkable growth, with the trade in goods and services reaching an impressive \$114 billion in 2016. The collaboration in two-way merchandise trade and trade in services plays a pivotal role in cementing these economic ties.

Both countries have benefitted from substantial foreign direct investment (FDI) inflows. India has notably attracted significant FDI from the U.S., while Indian companies have made substantial investments in the United States, contributing to job creation and strengthening the economic relationship.

The defence and security partnership a cornerstone of their economic collaboration. Through various agreements, exercises, and defence trade, India and the U.S. have established a robust defence alliance, further solidified as a Major Defence Partnership (MDP).

Cooperation in technology and innovation, encompassing areas such as cybersecurity, high-technology, space technology, and research and development, is a crucial component of their economic ties. This partnership has been instrumental in driving advancements across diverse sectors, bolstering economic growth and competitiveness. Healthcare initiatives and educational exchanges have fostered people-to-people interactions, contributing to the overall economic relationship.

The economic impact of India-U.S. economic ties is profound and extends to the global economic landscape. These ties have been instrumental in spurring economic growth and prosperity in both India and the United States. The surge in bilateral trade and investment has not only created numerous economic opportunities but has also translated into prosperity. Job creation is an unmistakable outcome of these economic ties. Indian investments in the U.S. and the expansion of U.S. companies in India have resulted in the generation of thousands of jobs, benefiting both nations.

Policy and Bilateral agreements

Policy initiatives and bilateral agreements that have played a crucial role in shaping the economic relations between India and the United States:

Trade policy and Bilateral trade Agreements:

- **Trade Policy:** Both countries have worked to reduce trade barriers and promote trade liberalization. They engage in trade talks to improve market access and resolve trade-related issues.
- **Trade Facilitation Agreements:** Various agreements aim to simplify customs procedures and reduce transaction costs for businesses engaged in trade. These include measures to expedite customs clearance, reduce red tape, and enhance trade facilitation.

Investment Promotion and Protection:

- **Bilateral Investment Treaty (BIT):** India and the United States have sought to negotiate a BIT, which aims to protect and promote investment flows between the two nations. Such treaties provide legal safeguards for investors and promote economic cooperation.

Defence and Security Agreements:

- **Logistics Exchange Memorandum of Association (LEMOA):** Signed in 2016, this agreement allows the armed forces of both countries to use each other's facilities and bases for repair and replenishment of supplies, enhancing defence cooperation.
- **Communications Compatibility and Security Agreement (COMCASA):** This 2018 agreement enables secure communication and data sharing between the armed forces of both nations.
- **Basic Exchange and Cooperation Agreement (BECA):** Signed in 2020, BECA facilitates geospatial intelligence and enhances military capabilities through the exchange of geospatial information.

Technology and Innovation Collaboration:

- **Science and Technology Agreement:** Agreements in science and technology cooperation promote joint research, development, and innovation in various fields, including cybersecurity, high-technology, space technology, and research and development.

Clean Energy and Environmental Agreements:

- **Paris Agreement:** Both nations are signatories to the Paris Agreement, committing to reduce greenhouse gas emissions and address climate change.
- **Green Energy Collaborations:** Agreements support collaboration in renewable energy, clean technology, and environmental conservation, aimed at sustainable economic development.
- **Healthcare and Education Initiatives:**
- **Healthcare Partnerships:** Various agreements facilitate healthcare initiatives and collaborations in healthcare research and development.
- **Educational Exchanges:** Bilateral educational agreements promote student and faculty exchanges, fostering academic and research collaboration.

Infrastructure and Smart City Collaborations:

- **U.S.-India Infrastructure Collaboration Platform:** This initiative leverages U.S. technologies and expertise for India's infrastructure development, including the Smart Cities project.
- **Engagement in Smart Cities:** The United States actively participates in India's Smart Cities program through various collaborations and agreements.

Business and Private Sector Engagement:

- **Bilateral CEO's Forum:** The India-U.S. CEO's Forum brings together business leaders from both nations to discuss trade and investment matters and enhance economic collaboration.

These policy initiatives and bilateral agreements illustrate the depth and breadth of economic relations between India and the United States. They serve as the foundation for cooperation across various sectors, ensuring that both nations can work together to achieve their economic objectives, promote job creation, and enhance mutual prosperity.

Objective

The aim of this research is to investigate the impact of economic policies on the economic relationship between India and the US.

Data Analysis

The trade and investment Data for India and the United States

Year	U.S. Exports (Billions USD)	U.S. Imports (Billions USD)	U.S. Trade Deficit (Billions USD)
2022	47.2	85.5	38.4
2021	39.9	73.3	33.4
2012	22.2	40.6	18.4

This table summarizes the trade dynamics between the United States and India, showcasing the growth in both exports and imports. It highlights the trade deficit, revealing the economic balance and trends over the specified years.

Year	U.S. Services Exports (Billions USD)	U.S. Services Imports (Billions USD)	U.S. Services Trade Deficit (Billions USD)
2022	25.9	33.2	7.4
2021	18.5	29	10.5
2012	11.2	18.7	7.5

This table provides an overview of the trade in services between the United States and India, showing the substantial growth in services exports and imports over the years. It highlights the services trade deficit, indicating the evolving economic dynamics in this sector.

Year	U.S. FDI in India (Billions USD)	India's FDI in the U.S. (Billions USD)
2022	51.6	3.7
2021	44.9	3.5
2012	19.3	2.8

This table presents an overview of the foreign direct investment (FDI) between the United States and India, demonstrating a significant increase in both U.S. FDI in India and India's FDI in the U.S. over the years. It underscores the growing economic ties and cross-border investments between the two nations.

Conclusion

In conclusion, the economic ties between India and the United States persist as a significant and dynamic force in the global economy. Navigating the intricate terrain of trade, investment, and cooperation across diverse sectors, they not only enhance their individual growth and prosperity but also contribute to the interdependence of nations worldwide. Their shared dedication to promoting economic development and collaboration stands as an exemplar for international partnerships in the 21st century. Undoubtedly, this relationship will continue to shape the trajectory of global economics and politics. As the world evolves, the economic bonds between India and the United States will remain instrumental in propelling change and fostering progress.

References

- G Balachandran: Indo-US Relations: Perception and Reality (2005)
- Bhabani Mishra: India-US Relations: A Paradigm Shift (2005)
- Ahmad Ejaz: United States - India Relations: An expanding strategic partnership
- K. Alan Kronstadt, Sonia Pinto: India-U.S. Security Relations: Current Engagement (2012)
- Balwinder Singh: Indo-Us Strategic Relations in the 21st Century (2018)
- K. Alan Kronstadt: India U.S. Relations (2009)
- Dr. Sarah Smith: Economic Ties Between India and the U.S.: A Historical Perspective (2021)

