



A ROBUST ECONOMIC RELATIONSHIP

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(Mains GS2: Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests. & Effect of policies and politics of developed and developing countries on India's interests, Indian diaspora)

Context:

- Under the new U.S. administration, the economic relationship with India can be expected to be on the radar as India has enjoyed bipartisan support in the U.S.
- A closer economic partnership would bring gains to both sides in terms of GDP, employment, and productivity, given the complementary natures of their economies.

Industry's perspective:

- From the industry perspective, a robust collaborative agenda would rest on a comprehensive set of actions which can take bilateral trade in goods and services to the desired goal of \$500 billion.
- In the five years to 2019, bilateral trade grew at a CAGR of 7.7% per year to \$146 billion.
- If we assume the same rate of growth, the \$500 billion target will be achieved by 2036.
- To ensure this, the CAGR would need to be set at 11.9%.
- This is doable if the right policy actions are taken.

Areas of collaboration:

Shared contribution to curve Covid:

- A collaborative response to the pandemic would contribute to global containment of the virus.
- Business partnerships are already taking place in the supply chain to ensure coordinated shipping, distribution, and last-mile connectivity.

- As India becomes the hub of global vaccine distribution, building confidence in the Indian IPR regime, reviving the U.S.-India Health Dialogue, and mutually recognising standards and approvals will help drive healthcare exchanges.

Strengthen trade architecture:

- The macro trade architecture can be strengthened with a broad trade agreement focusing on resolving the low-hanging fruit.
- The U.S.-India Trade Policy Forum meetings can be revived along with a cross-sector track-2 group to look at convergence on issues such as market access.
- There is potential for flexibility from both sides for restoring the Generalised System of Preferences which would help lower duties for certain Indian products.
- The two countries should consider initiating discussions on a free trade agreement.

Mobility of professionals:

- Mobility of professional labour would aid trade in services.
- Recent regulations in the U.S. have impacted labour mobility which can be addressed through immigration reforms for employment-based visa backlogs and smooth and timely processes.
- The MoU on labour cooperation signed in 2011 could be updated in line with India's recent labour regulatory changes.
- This may also be a good time to reconsider a totalisation agreement pertaining to social security, given that both have already entered into such agreements with many of the same partner countries.

Defence ties:

- Defence industry ties can be stepped up in coordination with industry, as both sides benefit from U.S. technology and Indian manufacturing in this sector.
- A defence dialogue including the private sectors of both sides could help in co-production and co-development in the defence and aerospace sectors.

Engagement with small entrepreneurs:

- Engagement of small and medium enterprises (SMEs) can be stepped up.
- Smaller U.S. companies can find significant new opportunities for investments in India and sourcing from India.
- A U.S.-India SME CEOs Forum can be set up to catalyse such partnerships.

Clean energy and climate change:

- Clean energy and climate change, high priorities of the U.S. administration, are also areas where India has made rapid strides.
- The U.S.-India Strategic Energy Partnership should be geared towards joint investments in industrial decarbonisation, carbon dioxide removal and green hydrogen.
- The programmes of Partnership to Advance Clean Energy Research, Partnership to Advance Clean Energy Deployment and Promoting Energy Access through Clean Energy must be relaunched.

Digital economy:

- A digital economy partnership is critical.
- India has proved its mettle in this space with new opportunities opening up in robotics, space, AI and electric vehicles.
- It is also important to disseminate information on India's IPR regime improvements and work towards taking India off the U.S. Trade Representative IPR priority watchlist.

Conclusion:

Although India – U.S. ties growing every day, other opportunities in the bilateral economic relationship include education, innovation and R&D, and agricultural trade and technology also need to flourish.