



NATIONAL APEX CHAMBER

The Future of Expanding India-USA Bilateral Relations

Strengthening bilateral ties through Free Trade Agreement

**PHD RESEARCH BUREAU
PHD CHAMBER OF COMMERCE AND INDUSTRY**



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PHD CHAMBER OF COMMERCE AND INDUSTRY

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Shri Sanjay Aggarwal
President
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The continued spread of pandemic COVID-19 and the associated global supply chain disruptions have greatly impacted economic activities and created an unusual degree of uncertainty in almost every country. A strengthened India-USA strategic partnership is thus imperative in this new era. Based on strong complementarities, both the countries have significant potential to enhance bilateral trade in goods & services to the level of USD 300 Billion by 2025-26 from the current level of around USD 150 Billion. At this juncture, India should expedite trade talks with an advanced economy such as the US for signing a broader or full-fledged FTA. Going ahead, there is a need to outline the contours for a sustainable full-fledged FTA between the two countries which is broad based and encompasses wide ranging potential sectors of development.



Shri Pradeep Multani
Senior Vice President
PHDCCI

Historically, bilateral relations between India and USA have been very strong. The two countries have harnessed the synergies inherent in their common belief to promote global growth, trade & prosperity to cement bilateral economic relations at an unprecedented pace. Considering the vibrant trade and economic complementarities, an FTA could boost trade and economic welfare in both the economies by removing trade barriers, increasing market access & providing a stable framework for comprehensive growth of sectors including defence & security, education, science & technology, cyber security, high-tech, agriculture, health, among others. Going forward, the initial trade deal should set the stage for a comprehensive full-fledged FTA resulting in manifold increase in bilateral trade and investments between India & USA.



Shri Saket Dalmia
Vice President
PHDCCI

Over the years, India–USA bilateral relations have witnessed a steep upward trajectory guided by shared democratic values and increasing convergence of interests on bilateral, regional and global issues. At this stage, India-USA FTA when concluded can act as an effective mechanism for unlocking additional trade liberalization in goods & services both bilaterally and multilaterally and do away with trade related distortions such as high tariffs and complex non-tariff measures. Going ahead, India's large consumer base, improved infrastructure, highly skilled & semi-skilled manpower, enhanced transparency, expanded digitization, greater innovation, more policy stability, among others will significantly boost the sentiments of businesses to further enhance the trade and investments trajectory between the two economies.



Shri Saurabh Sanyal
Secretary General
PHDCCI

The India-USA partnership is based on a shared commitment of democratic principles, fair trade and promotion of economic growth and development. Since India and USA are natural partners, the trend of widening economic and trade relations between New Delhi and Washington will continue in the coming years on the back of strong complementarities and mutual synergies. The initial trade package deal will lay the foundation stone for a full-fledged FTA to strengthen bilateral economic relations between India & USA. The research paper on The Future of Expanding India-USA Bilateral Relations is very comprehensive and provides a brief account of how signing of an FTA between India & USA could play a cornerstone role in the long-standing India-USA bilateral trade and investments relations.

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The Future of Expanding India-USA Bilateral Relations: Strengthening bilateral ties through FTA

Executive summary

Over the years, India-USA bilateral relations have intensified beyond the realms of trade and investments based on shared democratic values and increasing convergence of interests on bilateral, regional and global issues. The volume of merchandise trade between India and USA has significantly increased from around USD 62 billion in FY2014 to around USD 89 billion in FY2020. India's exports to USA have increased from around USD 39 billion in FY2014 to around USD 53 billion in FY2020 while imports from USA have increased from around USD 23 billion to around USD 36 billion during the same period.

Further, services trade between India and USA has increased from around USD 34 billion in 2013 to around USD 54 billion in 2019. India's exports of services to USA have increased from around USD 20 billion in 2013 to around USD 30 billion in 2019 while India's imports of services from USA have increased from around USD 13 billion in 2013 to around USD 24 billion in 2019. Accordingly, the bilateral trade of goods and services between India and USA has increased from around USD 96 billion in FY2014 to around USD 143 billion in FY2020.¹ In terms of investments, USA is the 5th largest foreign investor in India with cumulative Foreign Direct Investments (FDI) equity inflows of close to USD 30 billion from April 2000 to June 2020. FDI equity inflows in India from USA stand at around USD 4 billion during FY2020.

The spread of pandemic COVID-19 and the associated global supply chain disruptions have greatly impacted economic activities and created an unusual degree of uncertainty in almost every country. Dynamic economies such as India and USA hold immense potential for refueling global growth to a higher trajectory in the coming times. Based on strong complementarities and growth prospects, both the countries have significant potential to enhance bilateral trade (goods and services both) to USD 300 billion by 2025-26 from the current level of around USD 150 billion. Recently, both the sides have expressed a desire to conclude an initial limited trade package and discussed the possibility of a Free Trade Agreement (FTA). The intent to negotiate for a preferential trade agreement in around 50-100 categories of goods and services is highly encouraging.

The initial trade deal should set the stage for a comprehensive full-fledged FTA resulting in manifold increase in bilateral trade and investments and progressive economic growth of both the economies. At this juncture, there is a need to outline the contours for a sustainable full-fledged FTA between the two countries which is broad based and encompasses wide ranging potential sectors of development.

There exist immense synergies in expanding trade and investments horizons between the two economies in areas such as defence, space, energy, aviation, insurance, infrastructure, engineering, agriculture & food processing, manufacturing, entrepreneurship, healthcare & pharmaceuticals, water & environment, financial services, ICT & digital infrastructure including frontier technologies of 5G, big data analytics, quantum computing, blockchain and Internet of things, among others.

¹ Data for services trade pertains to calendar year compiled from various sources.



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In November 2020, America has elected its 46th President and is now under the Presidency of Mr. Joe Biden who had earlier served as the Vice President of the US in the Obama administration from 2009 to 2017. With his election as the new President of USA, India will witness a reinvigorated bilateral economic agenda with the US facilitating economic growth, job creation, promotion of small businesses and rising trade and investment exchanges especially in the aftermath of the COVID-19 pandemic.

The key sectors to watch for enhanced trade and economic cooperation will be energy and the green economy, defence and manufacturing, especially providing a boost to small business linkages, as well as pharmaceuticals and healthcare - all driven by new age businesses and disruptive innovation and technologies in the two economies. The talks of concluding a broad-based India-USA FTA would also get a significant boost encompassing a wide variety of sectors and removing market access barriers to unleash a higher trade trajectory.

Free trade agreements contribute to greater economic activity and job creation for economies and deliver opportunities for big and small businesses to benefit from greater trade and investments. India has been actively engaging in regional and bilateral trade negotiations over the last few years to diversify and expand the scope of its markets for exports. It is firmly suggested that India should participate in FTAs/PTAs/multilateral trade agreements especially need based FTAs with advanced economies such as USA. However, there should be proper give and take in India's bilateral co-operation with the partnering countries for the growth of trade and investments. Thus, a full-fledged FTA in goods and services between India and the US can become a building block towards a more liberal trade regime for both countries and provide a major breakthrough in India-USA bilateral relations while simultaneously promoting greater global economic prosperity and stability in the coming years.

India decided not to sign the Regional Comprehensive Economic Partnership (RCEP) due to differences over tariffs, its trade deficit with other countries and non-tariff related barriers. Presently, India's merchandise trade with 15 RCEP economies stands at around USD 220 billion. India runs a trade deficit with 11 of out 15 RCEP economies. Hence, the decision of Hon'ble Prime Minister of India of not signing the RCEP agreement is a very bold and a welcome step as the MSMEs sector would have been badly affected particularly in electronics, chemicals, metals, textiles, and dairy sector as other member nations of RCEP did not address various key concerns expressed by India.

FTAs must be signed keeping two things in mind viz., mutually reciprocal terms and focusing on products and services with maximum export potential. At this juncture, it is suggested to expedite trade talks with large markets like the US to conclude a limited trade deal and also reach a consensus on signing a broader or full-fledged FTA. A comprehensive FTA with USA would prove to be gainful for India resulting in manifold increase in bilateral trade and investments and progressive economic growth of both the economies.

1. Introduction

India and USA are the world's two largest democracies. Both the economies occupy a significant position in the world economy with a combined contribution of around 28% in the world GDP. Over the years, the two nations have played a crucial role in the promotion of world trade and prosperity; their collective share in world merchandise trade stands at around 13%. Although USA is the largest economy in the world economic system, India has also emerged as one of the fastest moving emerging economies. The Government of India has fostered a dynamic economic environment in the last few years with the implementation of various praiseworthy economic reforms to maintain macroeconomic stability and promote socio-economic development.

India and USA share strong, robust and growing bilateral relations across the entire spectrum of trade and commerce based on increasing economic cooperation and shared democratic values. The two countries have common interests in promoting global economic prosperity through trade, investments, and connectivity. Both India and USA view one another as important strategic partners to promote peace and stability regionally as well as globally. Over the years, the two nations have been working together to provide a positive and forward-looking vision to the expanding bilateral partnership.

Mutual visits at the leadership-level have been an integral part of the bilateral engagement between India and USA. The Hon'ble Prime Minister of India, Shri Narendra Modi after assuming office in 2014 has visited USA on a number of occasions involving participation in high-level multilateral summits and also conclusion of bilateral engagements. During June 2017, our Hon'ble Prime Minister met the then President of USA, Mr. Donald J. Trump and exchanged views in strategic areas such as defence, security, energy, among others.

Further, India and USA have more than 50 bilateral inter-governmental dialogue mechanisms in place for exchange of views on wide ranging areas. Many of such dialogue mechanisms are held at the Ministerial-level. Some of the bilateral dialogue mechanisms are listed below:

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



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The outcomes of these visits have been instrumental in further strengthening the multifaceted ties between the two countries. In September 2019, Hon'ble Prime Minister of India, Shri Narendra Modi visited USA for a series of high-level events and interactive sessions with the Indian-American community and the CEOs of leading energy companies in USA. He addressed over fifty thousand people at the "Howdy Modi" event in Houston, Texas and was joined by the then US President.

Over the years, cultural exchanges and people-to-people relations between India and USA have played an important role in strengthening bilateral ties. The Indian Diaspora in the US has rapidly developed from a small group to a well-established part of the American society of the 21st century. Being a vital resource contributing to the economic, political and social development of both India and USA, the Indian-American diaspora has helped in fostering successful bilateral relations.

Further, a new dimension was added in the bilateral relations between the two economies by way of landmark maiden visit of the then US President, Mr. Donald Trump to India in early 2020. The two economies decided to elevate bilateral relations to the level of a Comprehensive Global Strategic Partnership and announced a series of measures to increase bilateral economic cooperation including major defence deals, agreements on healthcare and energy sectors and onset of negotiations for a mega trade deal. The upcoming 5G technology was also discussed at length and the need for the emerging technology to be a tool for freedom, progress and prosperity.

Recently, America has elected its 46th President and is now under the Presidency of Mr. Joe Biden who had earlier served as the Vice President of the US in the Obama administration from 2009 to 2017. During this period, India and US bilateral ties saw an uptick in confidence-building. At various occasions, Mr. Biden expressed his positive views on India-US bilateral relations and advocated a stronger Indo-US trade and economic partnership. With his election as the new President of USA, India will witness a reinvigorated bilateral economic agenda with the US facilitating economic growth, job creation, promotion of small businesses and rising trade and investment exchanges especially in the aftermath of the COVID-19 pandemic.

2. India-USA bilateral economic relations

India's trade and economic relations with USA have seen phenomenal growth in recent years. Rapidly expanding trade and commercial linkages between India and USA form an important component of the multi-faceted partnership between the two countries.

2.1 Bilateral merchandise trade:

The volume of merchandise trade between India and USA has significantly increased from around USD 62 billion in FY2014 to around USD 89 billion in FY2020. India's exports to USA have increased from around USD 39 billion in FY2014 to around USD 53 billion in FY2020 while imports from USA have increased from around USD 23 billion to around USD 36 billion during the same period. Moreover, India-USA bilateral trade in goods has registered double-

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digit growth in recent years and bilateral trade relations have noted tremendous progress. The US has remained India's top trading partner for the second consecutive year in FY2020 reflecting expanding economic ties between the two countries.

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	} Double digit growth
2017-18	48	27	74	
2018-19	52	36	88	
2019-20	53	36	89	

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

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.

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

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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

2.2 Bilateral services trade

The volume of services trade between India and USA has increased from around USD 34 billion in 2013 to around USD 54 billion in 2019. India's exports of services to USA have increased from around USD 20 billion in 2013 to around USD 30 billion in 2019 while India's imports of services from USA have increased from around USD 13 billion in 2013 to around USD 24 billion in 2019.

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's services exports to USA are mostly in the areas of telecommunications, computer, and information services, research and development, travel sectors, among others. On the other hand, India's services imports from India include services in the fields of travel, intellectual property (computer software, audio and visual related products), transport sectors, among others.

2.3 Bilateral trade (goods and services)

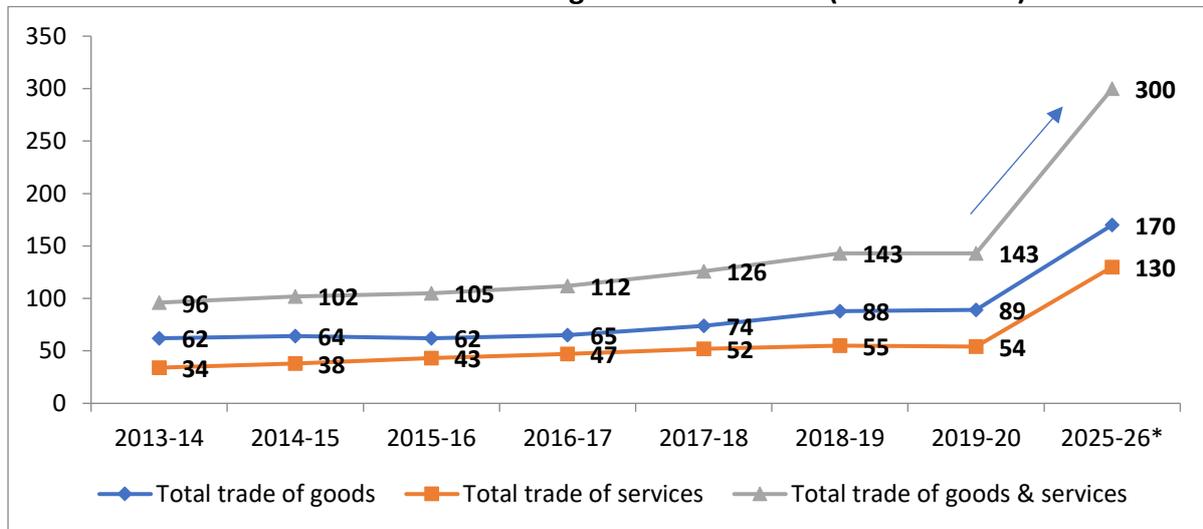
The bilateral total trade of goods between India and USA has increased from around USD 62 billion in FY2014 to around USD 89 billion in FY2020. On the other hand, bilateral total trade of services has increased from around USD 34 billion to around USD 54 billion in FY2020 during the same period. Accordingly, the bilateral trade of goods and services between India and USA has increased from around USD 96 billion to around USD 143 billion.

India-USA bilateral trade in goods and services (in USD billion)

Year	Total trade of goods	Total trade of services	Total trade of goods and services
2013-14	62	34	96
2014-15	64	38	102
2015-16	62	43	105
2016-17	65	47	112
2017-18	74	52	126
2018-19	88	55	143
2019-20	89	54	143

Source: PHD Research Bureau, PHDCCI compiled from various sources. Note: The data for services trade pertains to calendar year.

India-USA bilateral trade in goods and services (in USD billion)



Source: PHD Research Bureau, PHDCCI compiled from various sources. * denotes bilateral trade projections for 2025-26. Note: The data for services trade pertains to calendar year.

Based on strong complementarities and growth prospects, both the countries have significant potential to enhance bilateral trade in goods and services to the level of USD 300 billion by 2025-26 from the current level of around USD 150 billion.

2.4 India-USA investments relations

In terms of investments, USA is the 5th largest foreign investor in India with cumulative Foreign Direct Investments (FDI) equity inflows of close to USD 30 billion from April 2000 to June 2020. FDI equity inflows in India from USA stand at around USD 4 billion during FY2020.

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Given the huge size of the Indian market, there are several major US companies operating in India in sectors including manufacturing, agriculture, IT, retail, among others while major Indian companies in USA include Reliance, HCL Technologies, Infosys, TCS, Wipro, among others. Going ahead, India's continued improvement in the Ease of Doing Business rankings and pathbreaking reforms agenda offers extensive opportunities to invest in a variety of sectors and will attract large chunk of investments from USA considering the growing interest of American businesses in the Indian economy.

Being one of the most dynamic emerging market economies, India has been continuously considered as one of the top attractive destinations for inbound investments. Now, India has shown remarkable resilience in the pandemic COVID-19, by fighting the virus as well as ensuring economic stability. Therefore, India's continued improvement in the Ease of Doing Business rankings and pro-active reforms agenda offers an excellent platform for global investors to engage in a wide variety of sectors. Moreover, the Government's approach of providing long-term and sustainable solutions and building trust aligns well with the investor's requirement and will significantly boost the sentiments of businesses to further enhance the trade and investment trajectory between the two economies.

In a nutshell, India and the US have a robust trading partnership valued around USD 143 billion. The bilateral trade and economic cooperation is broad-based and multidimensional, covering trade and investments, defence and security, education, science & technology, cyber security, high-tech, civil nuclear energy, agriculture, health, among others.

3. India-USA bilateral economic outlook amid pandemic COVID-19

The global economy is experiencing the deepest recession since the Great Depression in the 1930s due to the continued spread of pandemic COVID-19. The containment measures and associated global supply chain disruptions have greatly impacted economic activities and created an unusual degree of uncertainty in almost country. Various international organizations have estimated the economic impact of COVID-19 on global growth, trade and investments with indications for prospects remaining bleak. Although major macroeconomic indicators are witnessing an uptick across many economies on account of easing of covid-related lockdown restrictions, there remain downside risks to speedy recovery of global economic health. In 2020, global growth is projected at (-) 4.4% while world trade is expected to fall by 9%.

In view of the above, dynamic economies such as India and USA hold immense potential for refueling global growth to a higher trajectory in the coming times. Both the nations have pledged to overcome this global crisis together and deploy the full strength of the India – USA partnership to resolutely and effectively combat COVID-19. Based on strong complementarities and growth prospects, both the countries have significant potential to enhance bilateral trade (goods and services both) to USD 300 billion by 2025-26 from the current level of around USD 150 billion.

India has always believed and advocated the principle of free and fair trade and offers a plethora of economic & trade opportunities. There is growing global optimism towards India



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and is considered as an attractive destination by global players. The country acts as a catalyst for higher global growth, trade, development and job creation and is contributing towards a prosperous and resilient world.

Being one of the most dynamic emerging market economies, India has been continuously considered as one of the top attractive destinations for inbound investments. Keeping in view the rapidly changing global trade and investment dynamics, India should use this golden opportunity by further offering Red Carpet to global investors and provide the most favourable terms for setting up manufacturing bases in India.

The Government during the last few years has undertaken significant reform measures to achieve all-inclusive socio-economic growth and increase India's visibility in global charts. Greater efforts are already underway to facilitate trade, industry and investments and become AatmaNirbhar Bharat with enhanced capacities and strong economic base. The launch of GIS-enabled land bank and development of a single-window system for clearances would provide avenues for greater business and investment opportunities and ensure seamless engagement of US investors in India's growth story.

Going forward, India's large consumer base, improved infrastructure, highly skilled & semi-skilled manpower, enhanced ease of doing business (EoDB), expanded digitization, greater innovation, more policy stability, among others will significantly boost the sentiments of businesses to further enhance the trade and investment trajectory between the two economies.

Recently, both the sides have expressed a desire to conclude an initial limited trade package and discussed the possibility of a Free Trade Agreement (FTA). The intent to negotiate for a preferential trade agreement in around 50-100 categories of goods and services is highly encouraging. At this juncture, there is a need to outline the contours for a sustainable full-fledged FTA between the two countries which is broad based and encompasses wide ranging potential sectors of development.

4. Potential gains from trade from India-USA FTA

Free trade agreements contribute to greater economic activity and job creation for economies and deliver opportunities for big and small businesses to benefit from greater trade and investments. India has been actively engaging in regional and bilateral trade negotiations over the last few years to diversify and expand the scope of its markets for exports.

The India-USA FTA could play a cornerstone role in the long-standing bilateral trade and investments relations. Ideally, the economic impacts resulting from an FTA need to be evaluated in terms of trade creation and trade diversion aspects and gains resulting from access to partners' markets. However, considering the vibrant trade and economic complementarities, such an agreement could boost trade and economic welfare in both the economies by removing trade barriers, increasing market access and providing a stable framework for comprehensive growth of the various sectors of mutual interest.

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India's skilled & semi-skilled human capital resources highly align with the technological capabilities of USA whereas USA's companies offer infrastructural facilities to India, especially in logistics and construction sectors. The unique amalgamation of India-USA core competencies will surely lead to a sustainable and strengthened bilateral partnership. Thus, the India-USA FTA if concluded can act as an effective mechanism for unlocking additional trade liberalization in goods & services both bilaterally and multilaterally and do away with trade related distortions such as high tariffs and complex non-tariff measures.

5. Continued upward trajectory of India-USA relations under Joe Biden's presidency

The US administration with Mr Barack Obama as the President and Mr Joe Biden as the Vice President (2009-2017) continued to deepen collaboration between India and USA on strategic, defense, economic, regional and global challenges. Recognizing India's growing role on the world stage, the US considered India on par with its closest partners. Under the newly elected Biden administration, the US has indicated to work with India to support a rules-based and stable Indo-Pacific region in which no country is able to threaten its neighbors.

Over the years, there has been a bipartisan alignment on the national interest of both democracies to enhance India-US bilateral relations in defence. Defence ties between India and the US are expected to stay strong with the change of guard at the White House and key understandings achieved at the recent 2+2 dialogue.

Stronger Indo-US ties on climate and health are high priority areas for the new administration. A Biden administration in all likelihood would bring the back the US into the Paris Agreement. This would give USA an opportunity to again work closely with India to fight climate change and reduce carbon emissions and secure a clean energy future.

Furthermore, the Indian pharma sector is expected to benefit from the Biden presidency on the back of an increased push for generic prescriptions and access to affordable health insurance. The US imports around USD 7 billion worth of formulations from India annually. Thus, India's pharma industry will continue to play an important role in the US healthcare system and the election of Mr. Joe Biden as the President will further improve the growth opportunity for Indian pharmaceuticals in USA.

The Biden presidency is also likely to follow a more liberal fair, rational and systematic visa policy which will help Indians on student and work visas especially in the IT industry. Furthermore, the focus on technology and innovation would benefit the Indian industry and help in boosting entrepreneurship.

Working as responsible partners, the new Presidency has indicated for strengthening defence ties and capabilities, improving health systems & pandemic response and deepening cooperation in areas such as higher education, space exploration, humanitarian relief, etc. Moreover, it is strongly expected that Indo-US economic ties would go from

The Future of Expanding India-USA Bilateral Relations: Strengthening bilateral ties through FTA strength to strength and entrench deeper into areas of business-to-business cooperation in strategic areas along with research and development.

6. Conclusions

Over the years, India–USA bilateral relations have witnessed a steep upward trajectory guided by shared democratic values and increasing convergence of interests on bilateral, regional and global issues. The bilateral trade and economic cooperation is a multi-faceted partnership that has transcended from the traditional arenas of military and economics to a knowledge partnership in high technology areas, space and cyber, healthcare, among others. Further, one of the most important foundations of this special partnership between India and USA are the people-to-people relations. The Indian Diaspora in the USA (estimated at around 4 million) has been the biggest contributor to the growth and development of the US economy leading to successful bilateral relations over the years.

Recently, America has elected its 46th President and is now under the Presidency of Mr. Joe Biden who had earlier served as the Vice President of the US in the Obama administration from 2009 to 2017. With his election as the new President of USA, India will witness a reinvigorated bilateral economic agenda with the US facilitating economic growth, job creation, promotion of small businesses and rising trade and investment exchanges especially in the aftermath of the COVID-19 pandemic. The administration's leadership is expected to promote post-pandemic economic stability, business collaboration with shared democratic values and increased people-to-people ties that have historically defined the special India-US relationship.

The key sectors to watch for enhanced trade and economic cooperation will be energy and the green economy, defence and manufacturing, especially providing a boost to small business linkages, as well as pharmaceuticals and healthcare - all driven by India and the US' new age businesses and disruptive innovation and technologies.

In the recent months, India and USA have expressed a desire to conclude an initial limited trade package and discussed the possibility of a Free Trade Agreement (FTA). The Free Trade Agreement (FTA) between India and USA should cover all aspects of bilateral trade including trade in goods and services, Intellectual Property Rights (IPR) and investments. The initial trade deal should set the stage for a comprehensive full-fledged FTA resulting in manifold increase in bilateral trade and investments and progressive economic growth of both the economies. Efforts should be made to hold regular high-level discussions to chalk out the details of a full-fledged FTA covering trade in goods and services and investments.

Going forward, India and USA should aim to progressively eliminate trade and investment barriers to strengthen bilateral trade and economic partnership. Both the sides should come together to resolve outstanding issues such as the restoration of USA Generalised System of Preferences (GSP), tariffs on steel and aluminium, greater market access for a range of product categories including agriculture, medical devices, dairy, Information & Communication Technology (ICT), brainstorm on the differences in services & e-commerce, among others.

7. Recommendations

Efforts should be made to further deepen trade and investment relations between India and USA and ensure market access with a focus on promising sectors of mutual interest. Both the economies have agreed to provide a further push and maintain the extraordinary momentum achieved over the years in Indo-US bilateral relations in the form of a limited trade package.

The strong intent of an initial trade deal is a significant step forward in forging a robust trade and economic cooperation between the world's two largest democracies. With this background, the bilateral trade (goods and services both) between India and USA has the potential to more than double from the present level to reach USD 300 Billion by 2025-26 and increase even further after signing of a comprehensive India-USA FTA.

There exist immense synergies in expanding trade and investments horizons between the two economies in areas such as defence, space, energy, aviation, insurance, infrastructure, engineering, agriculture & food processing, manufacturing, entrepreneurship, healthcare & pharmaceuticals, water & environment, financial services, ICT & digital infrastructure including frontier technologies of 5G, big data analytics, quantum computing, blockchain and Internet of things, among others.

Both India and USA believe in free and fair trade, and the US is India's largest trading partner. In the interconnected world economy, the partnership between the two nations goes beyond trade and can be considered as resilient trusted partners in the global value chain. There is an unparalleled potential for further development of bilateral economic and trade relations between India and USA.

Since India and USA are natural partners, the trend of widening economic and trade relations between New Delhi and Washington will continue in the coming years on the back of strong complementarities and mutual synergies. At this juncture, the election of Mr. Joe Biden as the new President of USA would help in reinvigorating the bilateral economic agenda between India and USA thereby facilitating economic growth, job creation, promotion of small businesses and rising trade and investment exchanges.

The talks of concluding a broad-based India-USA FTA would also get a significant boost encompassing a wide variety of sectors and removing market access barriers to unleash a higher trade trajectory. Rising trade and economic cooperation between India and USA, therefore, has the potential to become one of the most dynamic global linkages in the next decade.

Free trade agreements contribute to greater economic activity and job creation for economies and deliver opportunities for big and small businesses to benefit from greater trade and investments. India has been actively engaging in regional and bilateral trade negotiations over the last few years to diversify and expand the scope of its markets for exports. It is firmly suggested that India should participate in FTAs/PTAs/multilateral trade agreements especially need based FTAs with advanced economies such as USA. However,

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there should be proper give and take in India's bilateral co-operation with the partnering countries for the growth of trade and investments. Thus, a full-fledged FTA in goods and services between India and the US can become a building block towards a more liberal trade regime for both countries and provide a major breakthrough in India-USA bilateral relations while simultaneously promoting greater global economic prosperity and stability in the coming years.

Furthermore, it is suggested that all the FTAs signed so far should be re-examined in consultations and necessary amendments to be made as and when their review/ up gradation comes. Though, India has always supported the liberalized regime of the international trade scenario, the decision of Hon'ble Prime Minister of India of not joining the Regional Comprehensive Economic Partnership (RCEP) is encouraging as it was not in favour of India's entire industry particularly Micro, Small & Medium Enterprises (MSMEs). This would save the small businesses from the repercussions of the RCEP agreement which are not in sync with the growth of trade and industry in India.

India decided not to sign the RCEP due to differences over tariffs, its trade deficit with other countries and non-tariff related barriers. Presently, India's merchandise trade with 15 RCEP economies stands at around USD 220 billion. India runs a trade deficit with 11 of out 15 RCEP economies. Hence, India's decision of not signing the RCEP agreement is a very bold and a welcome step as the MSME sector would have been badly affected particularly in electronics, chemicals, metals, textiles, and dairy sector as other member nations of RCEP did not address various key concerns expressed by India.

Many countries have used trade agreements to induce domestic reforms - India could do the same with RCEP - if it has clear objectives to enter Global Value Chains (GVCs), but without that RCEP could prove harmful to Indian industry in the short run. The importance of FTAs in a country's Balance of Trade is well documented in contemporary economic literature, however, the focus should not be just on free trade but also fair trade that promotes a strengthened stance of India in various FTAs with its partner countries.

Description	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Average Growth rate YoY(%)
India's merchandise trade with 15 RCEP economies (USD billion) China, Singapore, Republic of Korea, Indonesia, Australia, Japan, Malaysia, Vietnam, Thailand, Philippines, Myanmar, New	196	180	188	211	241	220	

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Zealand, Brunei, Darussalam, Cambodia, Lao PDR.							
Growth rate YoY(%)	-	-8%	5%	12%	14%	-9%	3%
India's merchandise trade with USA (USD billion)	64	62	65	74	88	89	
Growth rate YoY(%)	-	-3%	4%	15%	18%	1%	7%

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

Moreover, FTAs must be signed keeping two things in mind viz., mutually reciprocal terms and focusing on products and services with maximum export potential. At this juncture, India should expedite trade talks with large markets like the US on signing a broader or full-fledged FTA; FTA will be gainful with USA as compared with the RCEP economies. The growth of merchandise trade has been recorded high with USA at 7% (Y-o-Y average) as compared with 3% with RCEP economies during the last 5 years period of FY2015-16 to FY2019-20.

In a nutshell, a comprehensive FTA with USA would prove to be gainful for India resulting in manifold increase in bilateral trade and investments and progressive economic growth of both the economies. The election of a new US administration led by Mr Joe Biden would provide a fresh momentum and deeply strengthen India-USA trade and economic partnership on the back of resilient and robust bilateral relations between New Delhi and Washington.



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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at subnational, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> • Research Studies 	<ul style="list-style-type: none"> • Global Economic Developments 	<ul style="list-style-type: none"> • Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> • Trade and Investment Facilitation Services (TIFS)
<ul style="list-style-type: none"> • State Profiles 	<ul style="list-style-type: none"> • India's Economic Developments 	<ul style="list-style-type: none"> • Forex and FEMA Newsletter 	
<ul style="list-style-type: none"> • Impact Assessments 	<ul style="list-style-type: none"> • States' Economic Developments 	<ul style="list-style-type: none"> • Global Economic Monitor (GEM) 	
<ul style="list-style-type: none"> • Thematic Research Reports 	<ul style="list-style-type: none"> • International Developments 	<ul style="list-style-type: none"> • Trade & Investment Facilitation Services (TIFS) Newsletter 	
<ul style="list-style-type: none"> • Releases on Economic Developments 	<ul style="list-style-type: none"> • Financial Markets 	<ul style="list-style-type: none"> • State Development Monitor (SDM) 	
	<ul style="list-style-type: none"> • Foreign exchange market 		
	<ul style="list-style-type: none"> • Developments in International Trade 		



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Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)

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46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)
54. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
55. Industry Perspective on Bitcoins (July 2017)
56. Senior Housing: A sunrise sector in India (August 2017)
57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
59. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
60. India-Israel Relations: Building Bridges of Dynamic Trade(October 2017)
61. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
62. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern between India and ASEAN(January 2018)
64. Union Budget 2018-19 – (February 2018)
65. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
66. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
67. Impact of GST on Business, Industry and Exporters (April 2018)
68. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
69. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy(May 2018)
70. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects(May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural Economy: Road to US \$5 Trillion Economy(September 2018)
73. Indian Economy on the Eve of Union Budget 2019-20 (Interim): Steady...strong...fastest moving economy (January 2019)
74. Interim Budget 2019-2020: A Dynamic, Inclusive & Pragmatic Budget (February 2019)
75. Women Entrepreneurship: Transforming from Domestic Households to Financial Independence (March 2019)
76. Prospects for Exports from India: Five Pronged Strategy to Achieve USD700 Billion Merchandise Exports by 2025 (March 2019)
77. India Towards Shared Prosperity: Economic Agenda for the Next five Years (March 2019)
78. Job Creation: A Pan India Survey of Households (March 2019)
79. India Inc. Speaks Live: Wish List for the Next Five Years (May 2019)
80. Suggestive Roadmap for Revitalizing Economic Growth (June 2019)
81. Indian Economy on the Eve of Union Budget 2019-20 (July 2019)
82. Union Budget 2019-20: Road to US\$ 5 trillion economy (July 2019)
83. Ease of Doing Business for MSMEs (September 2019)
84. Report Emerging contours in the defence and homeland security
85. Framework of University-Industry Linkages in Research DSIR
86. India's Trade and Investment opportunities with ASEAN Economies (November 2019)
87. Indian Economy on the Eve of Union Budget 2020-21 (February 2020)
88. Union Budget 2020-21: Aspirational, Caring and Developmental Budget (February 2020)



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89. Macroeconomic Indicators and Pandemic COVID-19 Stimulus provided by Select Economies (April 2020)
90. Analysis on Relief Measures -Salaries wages by pandemic COVID-19 impacted countries (April 2020)
91. Report on impact of Pandemic COVID-19 by PHDCCI (April 2020)
92. Tax relief measures provided by Pandemic COVID-19 impacted Countries (April 2020)
93. Impact of Pandemic COVID-19 : PHD Chamber's detailed representation on short term and long term measures submitted to the Government (April 2020)
94. Mitigating the Impact of Pandemic COVID-19 on Trade & Industry: PHDCCI Representations to Government of India and State Governments (April 2020)
95. Compendium of various relief measures provided by the States to mitigate the impact of pandemic COVID-19 (April 2020)
96. Calibrated Approach to Exit from Lockdown (April 2020)
97. Compendium on Relief Measures provided by the Govt. under Direct & Indirect Taxes to mitigate the impact of pandemic COVID (April 2020)
98. Relief Measures provided by Ministry of Finance, Ministry of Commerce & others (April 2020)
99. Relief measures provided by various countries to mitigate the daunting impact of pandemic COVID-19 on economy, trade and industry
100. Analysis of COVID at International and Sub-national Level- Speed of Spread, Mortality and Recovery.
101. Supplement of Recent Notifications by the Central Government, State Governments and Tax Authorities to Mitigate the Impact of Pandemic COVID-19
102. PHDCCI COVID-19 Updates
103. PHDCCI Quick Survey on Post Lockdown Business Scenario May 29th 2020
104. Impact of GST on Economy and Businesses (Aug 2020)
105. India's Imports from China: Strategy for Domestic Capacity Building (Sept 2020)
106. PHDCCI Economic and Business Momentum (EBM) Index (October 2020)

B: State profiles

107. Rajasthan: The State Profile (April 2011)
108. Uttarakhand: The State Profile (June 2011)
109. Punjab: The State Profile (November 2011)
110. J&K: The State Profile (December 2011)
111. Uttar Pradesh: The State Profile (December 2011)
112. Bihar: The State Profile (June 2012)
113. Himachal Pradesh: The State Profile (June 2012)
114. Madhya Pradesh: The State Profile (August 2012)
115. Resurgent Bihar (April 2013)
116. Life ahead for Uttarakhand (August 2013)
117. Punjab: The State Profile (February 2014)
118. Haryana: Bolstering Industrialization (May 2015)
119. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
120. Suggestions for Progressive Uttar Pradesh (August 2015)
121. State profile of Telangana- The dynamic state of India (April 2016)
122. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
123. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
124. Rising Jharkhand: An Emerging Investment Hub (February 2017)
125. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)



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126. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
127. Kashmir: The way forward (February 2018)
128. Analysis of State Budgets for 2018-19: Select States (March 2018)
129. Rising Uttar Pradesh One District One Product Summit (August 2018)
130. Rajasthan: Steady Strides into the Future- Emerging Growth Dynamics and the Way Forward (September 2018)
131. Rising Jharkhand: Economic Profile (January 2019)
132. Rising Jharkhand: Skill Development to Spur Socio-Economic Growth (January 2019)
133. Progressive Haryana: Economic Profile (February 2019)
134. Progressive Haryana: The Agricultural Hub of India (February 2019)
135. Progressive Haryana Steady Growth Strides into the Future (June 2020)



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