



IMPACT OF GLOBAL SLOWDOWN ON INDO-US TRADE RELATIONS

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Abstract: Indo-US relations reached a new high in 21st Century with Washington acknowledging that India is a rising power both regionally and globally while reciprocating New Delhi's sentiment that the two countries are "Natural allies". Although Indo-US business relations started to develop in the pre-independence era but a matured relationship developed between these two countries only in the Post- Independence period. During the last more than 7 decade, many ups and downs have been noticed in the relations of these two countries. Nevertheless, in the post-cold war era, a qualitative change has been noticed. This can be evidenced by the fact that USA has again emerged as the largest trading partner. Our nation has been celebrating 75 years of Amrit Mahotsav, also striving to realise to dream of accomplishing US 5 \$ trillion economy to become Atma-Nirbhar Bharat in this decade. Global growth is forecast to slow from 6% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and active phase of Covid 19 pandemic. Therefore, in this paper an attempt has been made to analyze bilateral trade relations between India and US in the wake of outbreak of Covid- 19 pandemic, US-China trade war, Ukraine-Russia war etc.

Keywords: Global slowdown, Pandemic, Bilateral trade, Natural allies, Atmanirbhar Bharat and Amrit Mahotsav.

1. Introduction

India has had a peculiar hot and cold relationship with US since its independence. Throughout the Cold- War era, despite having many shared common values, both countries lacked conviction in their respective policies. The myopic Pakistan- centric American policy completely disregarding core Indian interests was the major cause of differences and mistrust between the two nations. Pakistan was an important cog in US Cold War strategy in the wider region of South Asia and the Gulf. India's was leader of the Non-aligned countries; and had a tilt towards socialism. India's model of 'mixed' economy was a closed model that had high tariffs and regulations for the operations of foreign multinational corporations- leading MNCs after the Second World War were American MNCs. And the US, too, always alleged that India's strategic perception and policies were heavily tilted in favour of the erstwhile Soviet Union. Many scholars described India's Non-aligned policy as unethical in the context when, they said, the world was facing the threat of Communist totalitarianism against freedom.

In the post – Cold War period, the central issues in US-India relations has been management of the tension in their mutual strategic calculations. Both Washington and New Delhi have viewed each other as partners that share common- but not always congruent- strategic interests. The US seeks to preserve its extant primacy in the international system. India, in contrast, seeks to increase its relative power at the regional and global level both in order to satisfy its own development goals domestically and to increase its security and influence externally. India has been less of a conformist and more of a 'revisionist' power in international relations; it has invariably sought to question the dominant norms and institutions of global governance. In changed geo-strategic environment that emerged after the post – Cold War, while India continues to adhere to and pursues the policy of Non-alignment and strategic autonomy, periodic hiccups across Pakistan and China have been irritants to strategic India-US relations. China's intents to establish its hegemony in trade and foreign relations has upset US. The objectives of both India and the US have been constantly challenged by China and Pakistan axis which India's security and influence along the common borders. In a way, the competition between the US and China, on one hand, and between China and India, on the other, has opened the door for greater India-US cooperation since the end of the Cold War.

India achieved independence in the midst of Cold War and in an era of bloc politics. As an independent nation, it was a difficult choice to side with a particular superpower in a world divided into power blocs. Long before independence, India's freedom movement had rejected the then prevailing norms of military alliances and use of force in international relations. After independence, the best way out of that was to stay Non-aligned, and organise other developing countries as a voice of freedom and development in international relations under the banner of the Non-aligned Movement (NAM). Non-Aligned Movement found resonance with host of African and Asian countries that gained or were in the process of gaining independence from the colonial rule. NAM was spearheaded by India along with Egypt, Indonesia and Yugoslavia.

India chose to be friends with both the superpowers and India's leadership of the NAM provided it the strategic edge. India engaged both US and USSR in the task of India's economic development with its five year plans that focused on agriculture, industry and growth of science and technology etc.

The US soon became India's most important and trusted bilateral partner. Notwithstanding strategic divergences, the two democracies have been uniquely moulded together since India's independence in 1947. Since then, the US has been a partner of trust for India, helping the country set up the early Indian Institutes of Technology (IIT), helping Indian atomic energy programme, food aid programme and spurring India's Green Revolution, fostering educational exchange through the 200,000 Indian citizens studying in US today. There are approximately 4 million Indian-Americans in the US enhancing this strategic relationship which expands beyond the bilateral trade that rose to \$126 billion in 2017. The partnership has developed into more than a friendship between two democracies and their leaders.

India's relation with three important neighbours (Pakistan, China and Soviet Union or erstwhile USSR) and US policy towards Asia and Africa have been most important determining factor of India-US relationship. India –US relationship in the early phase started with the positive note. In order to have a clear understanding of this relationship, one can see divided into two phases, i.e., Cold War phase (1947-1991) and Post- Cold War phase, i.e., 1991 onwards.

The historical connection between India and America may be traced to the discovery of the latter in 1492. It was the historic error on the part of Columbus in his search for a new route to India that led to the discovery of America. Even after the settlement in the New World the hope of discovering the passage to India was not given up. It was revived by the Missouri Congressman, Thomas Hart Benton, who thought that the coming of the transcontinental railroads would at last accomplish the dream of Columbus.

The period of American trade with India began in the years immediately following the war of independence. Before the Revolution, the American people knew of India through her tea which found its way to such ports as the Borton Harbour. After the USA became independent in 1776, a small but bustling trade developed between the two countries. The first American ship set out for India was the United States owned by Captain Thomas Bell of Philadelphia. On the Christmas day of 1784, it ran down amongst the shipping at Madras on the coast of Coromandel. Mr. Bell received a cordial reception both at Pondicherry and Madras. On the Feb. 28, 1785, the ship weighed anchor and left Pondicherry to proceed homeward.

Between 1788 and 1800, fifty ships cleared from Salem for India. Whereas the exact evidence is lacking, it is probable that before 1790, the total American tonnage in Indian ports exceeded that of canton by 1803 the value of imports from British India had risen to 1,15,000 dollars. In this way American vessels frequented Indian ports in increasing numbers encouraged by the peculiar policy of the East India Company, which left the carrying trade in the hands of foreigners while forbidding English vessels to compete with its monopoly. In the 1788, Lord Cornwallis declared the commerce of USA with the East India Company's settlement should be treated in all respects as the most favoured nation's trade. This policy was confirmed in Jay Treaty with Great Britain in 1794 which provided legal status to the Indo-US trade and put the American vessels on a par with those of Great Britain.

Despite the ebbs and flows in the Indo-American trade, United States trade with India continued to grow until 1860, when the civil war caused a disruption in the trade for time at least. The interest of commerce made it necessary for the American Government to maintain ministers in foreign countries. Thus the appointment of an American consul in India for the protection of the foreign goods trade was a subject of consideration very soon after the close of the revolution. On the recommendations of the Secretary Thomas Jefferson, President of Washington appointed in November 1792 Benjamin Joy of Boston as the first American consul at Calcutta and other ports in India to protect its commercial interests in India. The appointment was confirmed and Mr. Joy reached Calcutta in 1794. In October 1838, Mr. P.S. Parker of Philadelphia was appointed the first American consul at Bombay. The American consuls played an important role in strengthening commercial links between the two countries.

Commercial travellers were sent to India and large sums spent on advertising. Regular shipping lines were established between America and India. America's share in the import trade of India rose from an average of 3% in 1909-14, 7% in 1914-19, while its share in India's exports rose from 8% to 12%. India also attracted some American investments before the Second World War. The International banking corporation opened a branch in Bombay in 1903 and another in Calcutta in 1904.

Indian exports to the USA consisted of wool, oilseeds, hides, medical drugs, sandalwood, gums, spices, horns ivory, indigo and saltpetre and import consisted of tobacco, naval stores, ice copper pitch, rosin and pine boards and thus India dominated a prominent place in the US economy from the beginning of its trade with outside world.

The American share of world exports fell from 20% in 1957 to just over 10% in 1987. During roughly the same period, the trade balance of US shifted from a positive one of \$4.89 billion in 1960 to a negative one of \$160.28 billion in 1987. As late as 1981, the US had been the world's largest creditor but by 1987, it had become the world's target debtor, with net foreign liabilities front, American share of global research and development expenditure, while still large, declined from 40% in 1970 to 33% in 1983. Similarly, the American share of world patents fell from 24.3% in 1975 to 17.7% in 1984.

In 1983, bilateral trade between India and US topped the \$4 billion mark, increasing \$1 billion above the 1982 figure from 1977-79 trade between the two countries was almost in balance. By 1980 there was a \$ 592 million surplus favouring the US. In 1982, however, the surplus had shrunk to \$ 195 million. For the first time and by 1983, the trade balance had shifted to India's favour.

The Indo-US trade relations are also under strain due to the US decision to include along with Japan and Brazil in the Super 301 provisions of the 1988 US Omnibus Trade Act. Super 301 affects India's technology import from the US as the US is opposed to Indian import policies that provide for import restrictions and impose export obligations on companies investing in India. Such policies were formulated to promote indigenous technological growth. India was also cited as one of the twelve "problem countries that failed to provide adequate and effective protection for the US copyrighted works or have continued to place unfair barriers to

market access for those works. The US also reportedly remained angry with India for blocking the US efforts in the GATT Uruguay Round to protect intellectual property rights.

Indo-US economic relations started improving after 2000. The decade witnessed the inflation of trade partnership between the two countries. On 21st March 2000, Prime Minister of India and President of United States released a document on the theme India-US Relations: A Vision for the 21st Century at New Delhi. In 1991, the bilateral trade figure stood at \$5.91 billion; in 2000 \$14.35 billion, in 2004 \$37.1 billion, in 2008 \$43.4 billion and in 2010 the figure stood at \$ 100 billion. Compared, US-China trade in the year stood to the tune of \$500 billion. Despite such sluggish pace of progress of Indo-US trade India seems to be lucrative destination of FDI and huge market of US exports and MNCs. IT sector is the major sector of cooperation between the two countries. However, outsourcing has been a serious problem and the domestic public opinion in USA is quite averse to outsourcing of jobs to India, China and elsewhere. In order to boost bilateral trade, cooperation in macroeconomic policy, financial sector and infrastructure financing, the two countries launched a new Economic and Financial Partnership between India's Ministry of Finance and the US Department of the Treasury in April 2010. Earlier in 2005, to promote real and meaningful cooperation in trade and investment a US-India Trade Policy Forum was set up followed by the establishment of a Private Sector Advisory Group (PSAG) in 2007.

The US has been the largest trading partner of India for many years. However, in 2010, the US became the second largest trading partner after China. The trade between the two countries has not only increased in volume in last decade, but it has also been diversified. The total trade between the two countries reached to \$ 43.4 billion in 2008 as compared to \$ 21.6 billion in 2004. Thus, there was a two fold increase in trade within a period of four years. India has emerged as a thriving market for US exports, which nearly tripled in value between 2004 and 2007. The bilateral trade declined in 2009 due to the global economic downturn, caused by financial crisis. It should also be noted that the trade balance has been in India's favour in the last decade. In 2011, the bilateral trade between the two countries stood at \$50 billion. During Obama's visit in November 2010, both agreed to double the trade volume within a period of five years. The major items of import to India from the US include aircraft and aviation- related products, fertilizers, other machinery, precious stones and metals, organic chemicals, optical and medical instruments. The major items of India's export to the US include gems and jewellery, textiles, pharmaceuticals, organic chemicals, engineering goods and since last year, iron and steel products. As the US recovers from the financial crisis, the trade is expected to grow in future. It should be noted that the bilateral trade in goods between the two countries has increased from \$ 5.6 billion in 1990 to \$ 66.9 billion in 2014.

For greater involvement of private sector in discussion on issues involving trade and investment, the bilateral India-US CEO's Forum was reconstituted in 2009. During Prime Minister Modi's visit in September 2014, it was decided to establish an India-US Investment initiative, with a special focus on facilitating FDI, capital market development and financing of infrastructure.

Indian IT companies contributed \$22.5 billion in taxes to the US Treasury between 2011 and 2013. Plus, they supported over 411,000 jobs in the US, including 3,00,000 jobs for US citizens and permanent residents during that time. More importantly, those jobs make US companies more efficient so that they can compete globally.

Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5 % 2023 and to 4.1% by 2024. Global output contracted in the second quarter of the previous year owing to downturns in China, Russia while US consumer spending undershoots expectation. Several shocks have hit a world economy already weakened by the Covid 19 Pandemic, higher than expected inflation worldwide, especially in the US and major European economies triggering tighter financial condition, ours then anticipated slowdown in China, reflecting Covid 19 outbreak and lockdown and further negative spill over from the war in Ukraine.

2.1 Need of the Study

Both countries are emerging natural allies and strategic partners in the changing global equations, in view of rising China-US trade war, increasing influence of China in the ASEAN region and Indo-Pacific, formation of QUAD and Ukraine-Russia trade war. Hence, it is pertinent to study potential of bilateral trade and explore avenues for increasing exports to realise the dream of Atmanirbhar Bharat.

2.2 Scope of the Study

The study is confined to bilateral trade between India-US regarding the period from the fiscal year 2011-12 to 2021-22. The period prior to 2019-20 will be Pre-Covid period and remaining treated as Post – Covid period. The composition of bilateral trade of first top ten items in respect of the financial year 2021-22 will be taken into consideration.

2.3 Objectives

1. To study bilateral trade.
2. To study balance of trade.
3. To analyze composition of bilateral trade.

2.4 Research Methodology

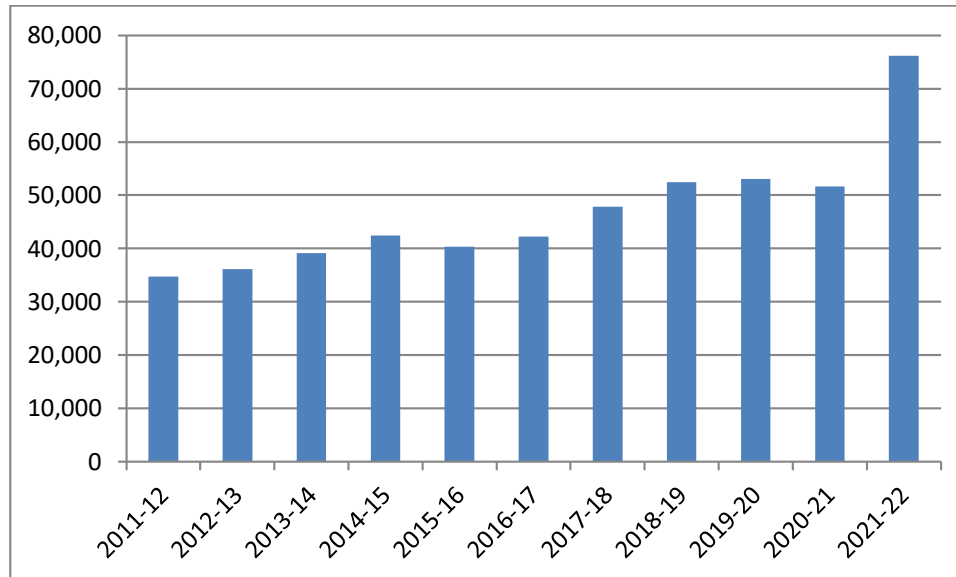
The secondary sources of collection of data has been used and analyzed with the help of simple statistical tools like percentage method, ratio analyses and graphs .

1 India's Export to US

Year	US \$ Million	Share %	Growth %
2011-12	34,741	11	37
2012-13	36,155	12	4

2013-14	39,142	12	8
2014-15	42,448	13	8
2015-16	40,336	15	-4
2016-17	42,212	15	4
2017-18	47,878	15	13
2018-19	52,406	15	9
2019-20	53,088	16	1
2020-21	51,623	17	-2
2021-22	76,167	18	47

Source :- Ministry of Commerce and Industry (India)

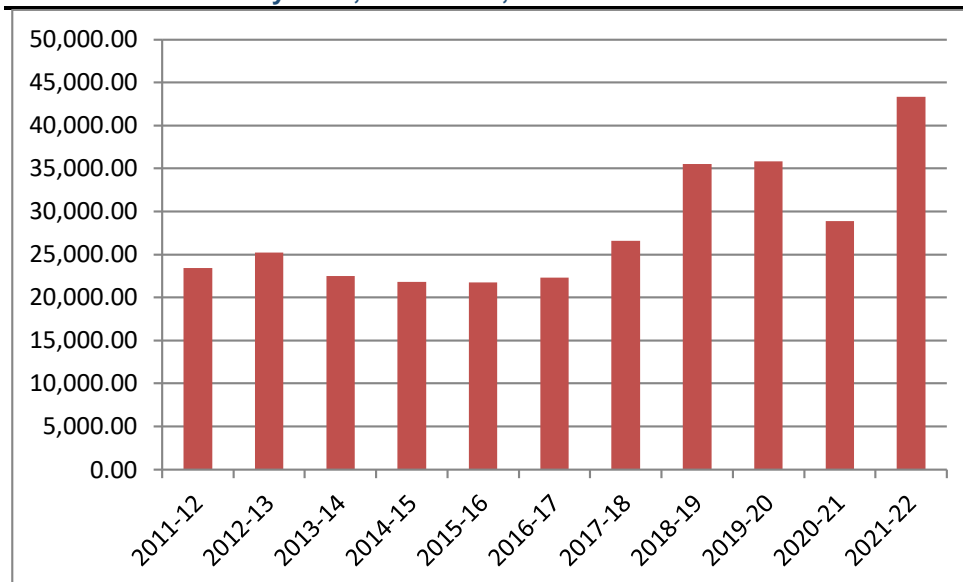


The share of Indian exports to the US rose from 11% in 2011-12 to 18% in 2021-22. The growth of exports to the US has been positive barring the fiscal year 2016-17 and 2020-21.

2 India's Import from US

Year	US \$ Million	Share %	Growth %
2011-12	23,454	4	16
2012-13	25,204	5	7
2013-14	22,505	4	-10
2014-15	21,814	4	-3
2015-16	21,781	5	-0.15
2016-17	22,307	5	2
2017-18	26,611	5	19
2018-19	35,549	6	33
2019-20	35,819	7	0.76
2020-21	28,888	7	-19
2021-22	43,314	7	49

Source :- Ministry of Commerce and Industry (India)

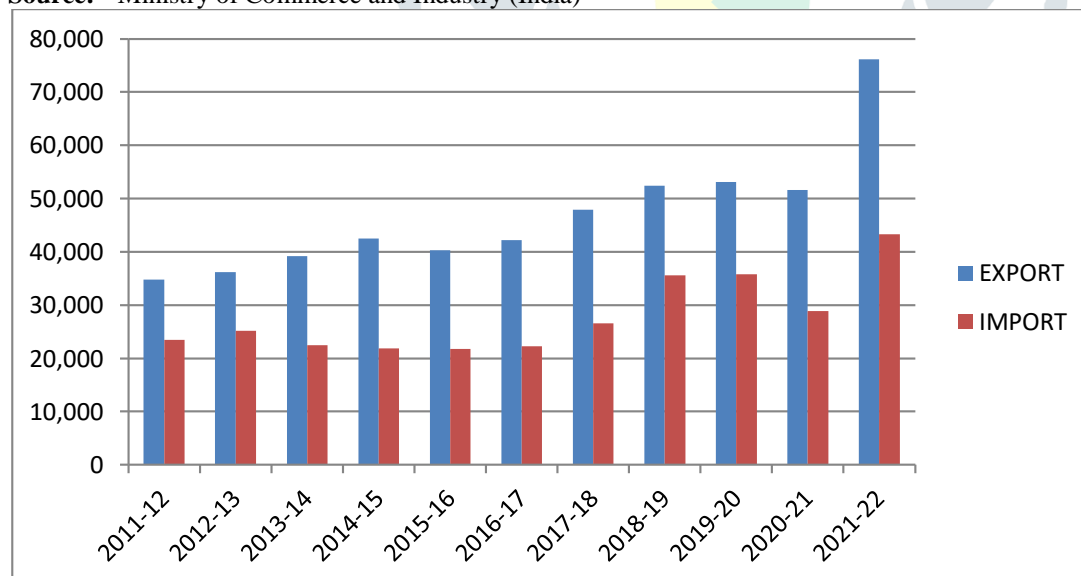


The share of Indian imports from the US have also increased from 4% in 2011-12 to 7% in 2021-22. Positive growth of imports from the US has been noticed except the fiscal year 2013-14 to 2015-16 and also during the pandemic period of 2021.

3 Balance of Trade (US \$ Million)

Year	Export	Import	Ratio
2011-12	34,741	23,454	1.48
2012-13	36,155	25,204	1.43
2013-14	39,142	22,505	1.73
2014-15	42,448	21,814	1.94
2015-16	40,336	21,781	1.85
2016-17	42,212	22,307	1.89
2017-18	47,878	26,611	1.79
2018-19	52,406	35,549	1.47
2019-20	53,088	35,819	1.48
2020-21	51,623	28,888	1.78
2021-22	76,167	43,314	1.75

Source: - Ministry of Commerce and Industry (India)



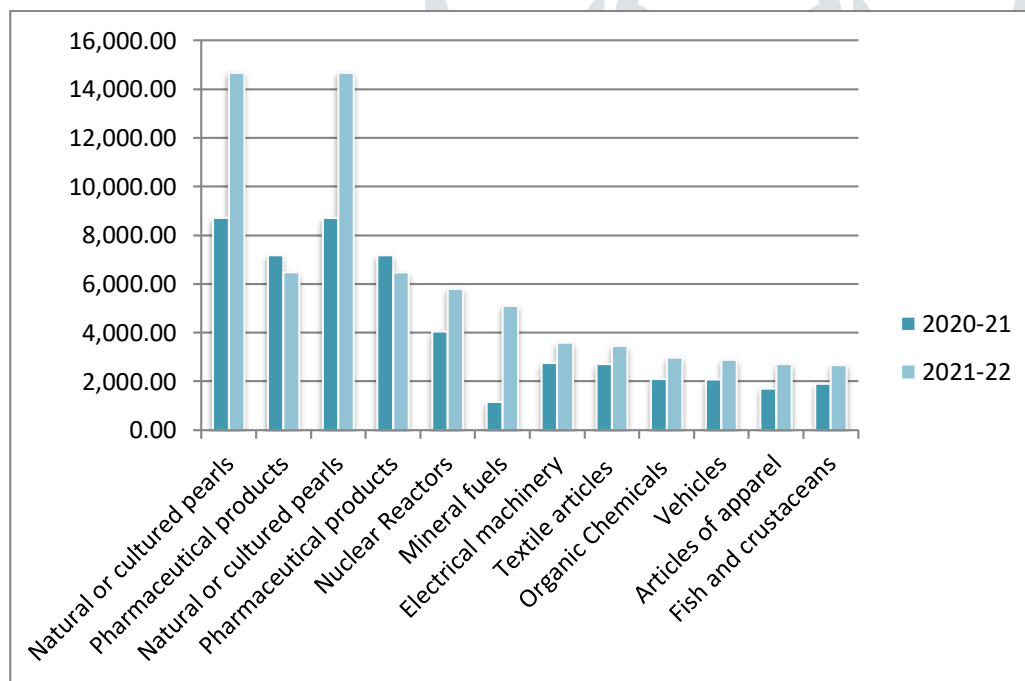
India has surplus trade with the US in the all financial years.

4 Composition of India's export to US (US \$ Million)

S.No.	Products	2020-21	2021-22	Growth %
1	Natural or cultured pearls, precious or semiprecious stones, metals, clad with per metal and articles thereof ,	8,722.20	14,667.48	68.16

	jewellery, coin			
2	Pharmaceutical products	7,179.87	6,472.25	-9.86
3	Nuclear reactors, boilers, machinery, mechanical appliances; parts there of	4,057.92	5,798.48	42.89
4	Mineral fuels, mineral oils, products of their distillation, bituminous substances, mineral waxes	1,155.37	5,103.19	341.69
5	Electrical machinery, equipment, parts there of ; sound recorder , reproducers, television image	2,754.55	3,581.33	30.02
6	Textile articles, sets; worn clothing, worn textile articles; rags	2,704.43	3,455.11	27.76
7	Organic chemicals	2,102.74	2,965.97	41.05
8	Vehicles other than Railway or tramway rolling stock, parts and accessories there of	2,080.87	2,891.70	38.97
9	Articles of apparel and clothing accessories, knitted or corched	1,700.84	2,712.18	59.46
10	Fish and crustaceans, molluscs and other aquatic invertebrates	1,891.50	2,678.30	41.60

Source :- Ministry of Commerce and Industry (India)



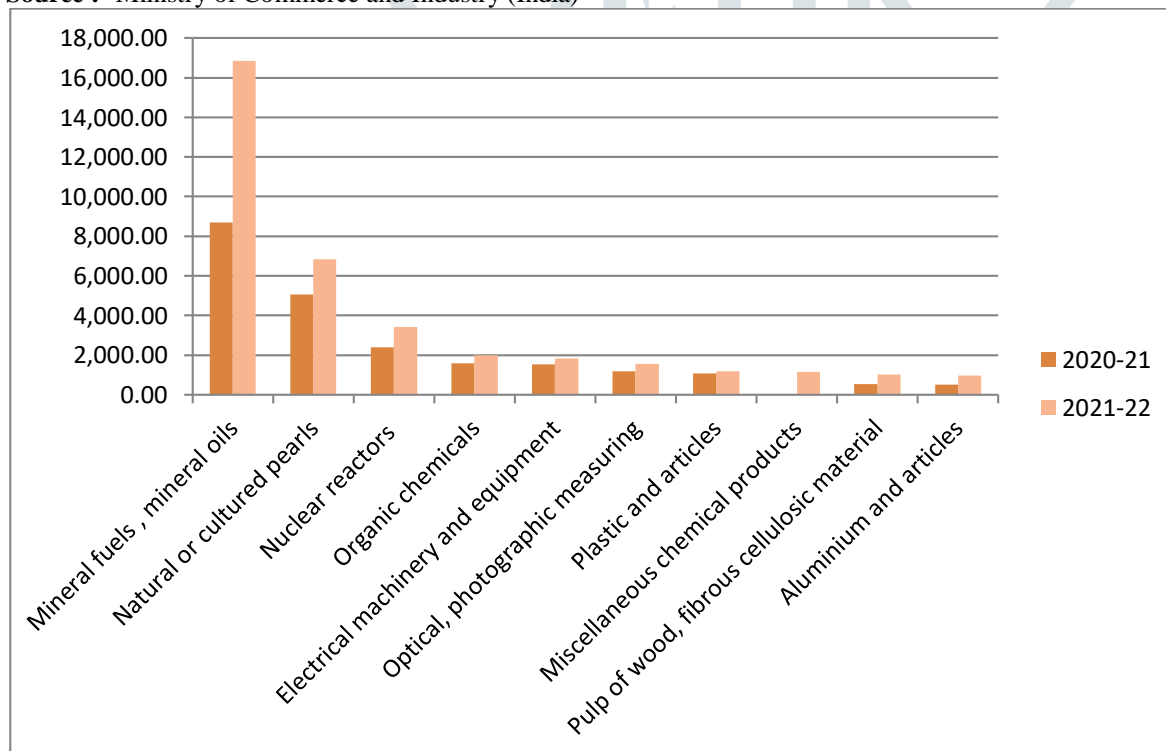
There has been positive growth of composition of exports to the US barring the pharmaceutical products. The highest growth has been found regarding minerals fuels , mineral oil and products of their distillation , bituminous substances, mineral waxes followed by natural and cultured pearls, nuclear reactors, boilers, electrical machinery, textiles, organic chemicals, vehicles other than railways, tramway, articles of apparel, clothing accessories etc.

5 Composition of Imports of India from US (US \$ Million)

S.No.	Products	2020-21	2021-22	Growth %
1	Mineral fuels, mineral oils, products of their distillation bituminous substances, mineral waxes	8,705.59	16,849.16	93.54
2	Natural or cultured pearls, precious or semiprecious stones per metals, clad with	5,069.81	6,845.01	35.02

	per metal and articles there of , jewellery, coin			
3	Nuclear reactors, boilers, machinery, mechanical appliances, parts there of	2,386.09	3,424.03	43.50
4	Organic chemicals	1,591.94	1,999.44	25.60
5	Electrical machinery, equipment, parts there of ; sound recorders, reproducers, television image	1,530.05	1,836.92	20.06
6	Optical, photographic cinematographic measuring, checking precision, medical , surgical instruments, apparatus parts and accessories there of	1,176.16	1,567.35	33.26
7	Plastic and articles there of	1,066.60	1,185.00	11.10
8	Miscellaneous chemical products	878.32	1,166.72	32.83
9	Pulp of wood or of other fibrous cellulosic material, waste and scrap of paper or paperboard	534.95	1,015.46	89.82
10	Aluminium and articles there of	498.51	974.27	95.44

Source :- Ministry of Commerce and Industry (India)



The growth of composition of imports from the US regarding top ten items has been positive in the 2021-22 over the corresponding year.

Findings

- ❖ Exponential growth of the US share in Indian exports noticed, resulting from 11% in 2011-12 to 18% in 2021-22.
- ❖ Positive growth of exports to the US witnessed during fiscal year except in 2016-17 and during Pandemic period.
- ❖ The highest growth of exports seen after recovery of the Covid 19 in 2021-22 and lowest found onset of Covid 19 Pandemic.
- ❖ Exponential growth of share of US imports also observed.
- ❖ Negative growth of imports from the US over corresponding year seen from 2013-14 to 2015-16 and also during Covid 19 period.
- ❖ Maximum growth of imports as against corresponding year observed during post Covid 19 pandemic.
- ❖ Indian has surplus trade with US.
- ❖ The positive growth of composition of exports to the US found as against the previous year barring pharmaceutical products during the Pandemic.

- ❖ The highest growth of exports seen regarding mineral fuels, mineral oil and products thereof, distillation, bituminous substances, mineral waxes.
- ❖ The positive growth of composition of imports from the US observed during Pandemic period.
- ❖ The highest growth of imports found in respect of Aluminium.
- ❖ Bilateral trade declined during Pandemic period, due to which global slowdown witnessed and consequently growth rate of economies across the world affected substantially.

Suggestions

- There is a huge potential to boost bilateral trade especially on account of rising anti-China perception in both the Nation, Ukraine-Russia conflict, changing global equations etc.
- Exports of Labour Intensive Industries should be increased to realise goal of 5 \$ trillion economy in the current decade.
- Sincere endeavours required to augment exports of agro-based products to ensure double income of the farmers.
- The possibility of signing FTA with the US should be explored in the trading interest of the nation.
- In view of signing of FTA by the China with ASEAN.
- Efforts should be made to accelerate growth of exports to the US to leverage the benefits of potential of surplus bilateral trade to become Atmanirbhar Bharat.
- Resolution of various Non-Tariff barriers and other market access improvement required through the WTO amicably and diplomatically.
- The US should support India's claim for membership in APEC (Asia Pacific Economic Cooperation) in view of increasing influence of China in Indo-Pacific region.
- Trade in defence should be promoted to avail benefits of strategic partnership.
- Trade in services should also be enhanced to take advantages of fourth Industrial revolution.

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