

Event Report

**Advancing United States and India Relations:
Mission US\$500bn Bilateral Trade**

Tuesday, February 26, 2019

New Delhi




1. Overview and Introductory Session

On February 26, 2019, CUTS International under its Washington DC Center, organised a panel discussion on “**Advancing United States and India Relations - Mission US\$500 Billion Bilateral Trade**” at India International Centre, New Delhi.

Frank Islam, CEO and Chairman, FI Investment Group, USA and Member, International Advisory Board, CUTS Washington DC Center was the keynote speaker. He was joined by panellists - **Phil Shaw**, Chief Executive, Lockheed Martin India Pvt. Ltd.; **Ambika Sharma**, Managing Director – India, U.S.-India Business Council; **Santosh Kumar Sarangi**, Joint Secretary, Department of Commerce, Government of India and **Robert Garverick**, Minister Counsellor for Economic Affairs, Environment, Science and Technology, U.S. Embassy in New Delhi and moderator, **Pradeep Mehta**, Secretary General, CUTS International.

- The introductory remarks were given by **Udai Mehta**, Deputy Executive Director, CUTS International, wherein he emphasised that the magical figure of US\$500 billion bilateral trade is achievable provided trade irritants like withdrawal of GSP benefits, data localisation and WTO reforms are addressed in an open and transparent business environment inculcating adequate legal protection and strong governing institutions. He mentioned that between the year 2000 and 2017, total trade in goods and services between India and the U.S. has increased from US\$19.1bn to US\$126.2bn – more than six-fold increase with a compound annual growth rate (CAGR) of 11.75 per cent. In order to increase the bilateral trade more than four-fold – that is, US\$500bn by 2025 – this rate of growth has to be 18.78 per cent. This is challenging but not impossible.
- Giving a historical overview of India-U.S. relations, **Frank Islam** put emphasis on the growth trajectory from 1990s until 2016 that witnessed breakthroughs like liberalisation of Indian economy, growing influence of Indian American community and the U.S.-India Civil Nuclear Agreement. He categorised the phase of year 2017-2021 as “Erratic Relationship”




between the two countries, citing protectionist policy of the U.S. as well as market entry challenges in India.

- He further stated that the future of bilateral relationships from 2021 going forward looks bright and is set to shape a “Partnership Relationship” between India and the U.S. He spelled out shared democratic values and common geopolitical interests, trade and commerce; where US\$500bn in terms of U.S.-India trade is imminently doable, and the presence of ever growing and influential Indian American community as noteworthy factors. He mentioned that some experts have even predicted that U.S.-India trade could touch the trillion-dollar mark by 2030.

2. Key takeaways from the panel discussion

- The panel discussed the major role played by Indian diaspora in enhancing the economic relations including the role of Indian Institute of Technologies (IITs) and H1B visas that helped the U.S. economy to be a net gainer. Regarding trade deficit, it is a fact that more than 60 per cent of the U.S. merchandise imports are capital goods or components and parts rather than finished goods. In that context, India’s deficit with the U.S. is minuscule, when it is analysed through a scientific manner of value chain led trade in which imports are critical for the growth of exports.
- In terms of defence & security relations, initiatives like collaboration in defence technology trade initiative, co-production and indigenisation of defence equipment, active participation by the U.S. corporates like Lockheed Martin, in “Make in India” initiative are noteworthy. Among others, active participation of U.S. multinationals in encouraging collaboration in research programmes like India Innovation Growth programmes, penetration across universities by inculcating research and innovation challenges by way of competing programs has all served as roadmap for enhancing bilateral trade and economic ties.
- It is proposed that issues like trade imbalance, tariff issues, intellectual property right (IPR) and regulatory issues could be approached using a



five-point agenda, which includes addressing tariff issues from both sides and finding a bilateral solution; addressing barriers to services trade export on both sides; identifying sectors wherein Small and Medium Enterprises (SMEs) from both countries can collaborate on products and services platforms; adopting an open dialogue for changes in trade regulations and policies and identifying products of interest from both sides for harmonised standards so that non-tariff barriers are removed.

- The panellist also highlighted the role of Ministry of Commerce in India and its newly formed division the Department for Promotion of Industry and Internal Trade (DPIIT), in reinforcing trade and investment with the U.S. by further improving “Ease of Doing Business” environment in India. It was emphasised that the outcome of mechanisms like Commercial Dialogue, CEOs forum, Energy dialogue holds potential in creating new value chains while reinforcing the existing ones. This can create a win-win proposition for both sides and further the cause of increased bilateral trade between the two countries.
- The panel suggested diversification of trade basket by including high technology products and energy trade including oil and gas to bring about a desirable change in bilateral trade figures. There is a huge potential for U.S. exports of aircrafts, organic chemicals, oil and gas, coal, etc into India.
- Apart from import and export channel, the panellist highlighted that bilateral trade growth can be enhanced by bilateral investment and collaboration and bilateral collaboration in complementary areas like defence, SME collaboration, in technology areas like robotics, artificial intelligence (AI), wherein India’s talent pool can be skilled and leveraged as enablers of U.S. technology for manufacturing and sustainable development in India.

3. Conclusion

Bipul Chatterjee, Executive Director, CUTS International summarised the discussions as following.

- It was noted that bilateral trade and investment have to witness a significant growth across areas like defence, education, energy, health and people to people ties. There has been a rising demand and corresponding actions to employ sustainable manufacturing practices across countries. This is a niche area where the advance research and technical knowhow in the U.S. can tremendously help India in employing such practices positively.
- From India's point of view, reforms like GST and investment liberalisation have given incentives for U.S. to increase its investments into India. Disputes relating to GSP withdrawal, market access for few products need to be resolved in an amicable and well-coordinated environment. It was stressed that both sides should avoid narrow regulations, protectionism and systemically encourages free flow of people, goods and data.
- Furthermore, the discussions emphasised upon strategising market access for services (including financial services, tourism and transport) in India; re-energising dialogue for skill and labour mobility, reinitiate dialogue on food manufacturing practices with regulatory authorities from U.S. Food and Drug Administration, particularly for agricultural, marine and pharmaceutical products, launching high technology manufacturing forum, which includes co-production of defence products and expanding bilateral dialogues on standards.