
UNIT 13 UNITED STATES OF AMERICA

Structure

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13.0 OBJECTIVES

After studying this Unit, you should be able to

- Describe the basic economic structure of the USA.
- Analyse the trends in trade of India with USA
- Describe the prospects of India-US trade.

13.1 INTRODUCTION

The United States is the third largest country in the world. It is in North America between the Atlantic and Pacific Oceans. The geography of the United States has a lot of variety. There are mountains, lakes, rivers, deserts, and islands. There are 50 states and 5 major territories in the United States. It has a vast coastline, large land mass and immense resources.

The United States is the world's largest economy with a GDP of approximately \$20.513 trillion, notably due to high average incomes, a large population, capital investment, low unemployment, high consumer spending, a relatively young population, and technological innovation. In this Unit, you will learn the economic characteristics of USA, India's trade with USA, recent trends and composition. You will further learn top trading partners, trade prospects, economic relations and challenges and opportunities.

13.2 ECONOMIC CHARACTERISTICS OF THE UNITED STATES OF AMERICA (USA)

In the following analysis you will find consolidated trends in GDP (in current US \$), Growth rate of GDP, Consumer Price Index (CPI), Population, Exports, and Imports, between 2000 and 2020. Sometimes due to unavailability of data the years may differ.

Variables under study:

Table 1- Development and Trade Indicators

Country	Series
United States	GDP (current US\$)
	GDP growth (annual %)
	Consumer price index (2010 = 100)
	Population, total
	Exports of goods and services (current US\$)
	Imports of goods and services (current US\$)

Source: World Development Indicators, World Bank

Some development indicators have been chosen for this kind of analysis that is known as quinquennial growth analysis. The data points are 2000, 2005, 2010 and 2020. In the case of GDP, Population, Export and Import an index has been presented. Generally, the base year of CPI is 2010.

$$\text{Index} = [((\text{GDP (2020)}/\text{GDP (2000)}) * 100) - 100]$$

This gives net growth during the 20-year period. Similarly, indices have been made for population, exports, and imports.

Table 2- GDP growth of USA

Year	GDP	GDP Growth
2000	10250947997000.00	4.08
2005	13039199193000.00	3.48
2010	15048964444000.00	2.71
2015	18206020741000.00	2.71
2020	20893743833000.00	-3.40

Source: World Development Indicators, World Bank

The Index of GDP growth stood at 103 %. This means that USA's GDP has grown by about 100% or it has doubled in 20 years. For being the world's largest country, it is a very sizeable growth. The GDP growth has been declining but still for a country like the USA it is a reasonable growth rate. The dip in the growth rate after 2005 is obviously due to the Global Financial Crisis (GFC) of 2008. The stagnation between 2010 and 2015 is due to the slowing down due to GFC. Of course, the negative growth in 2020 is due to Covid.

Table 3- Other Economic Indicators

Year	Consumer price index (2010 = 100)	Population, total	Exports of goods and services (current US\$)	Imports of goods and services (current US\$)
2000	78.97	282162411.00	1096111000000.00	1477184000000.00

2005	89.56	295516599.00	130158000000.00	204148200000.00
2010	100.00	309327143.00	185724700000.00	238955500000.00
2015	108.70	320738994.00	226865100000.00	279485000000.00
2020	118.69	331501080.00	212341000000.00	277459700000.00

Source: World Development Indicators, World Bank

The CPI grew by 50%. The Population grew by 17.5% which was mostly immigration. Exports grew by 98 per cent and imports by 88 per cent. This spells low inflation and a strong and growing currency which militates against India's exports to USA. The faster growth of exports compared to imports also indicates that USA, which has been the world's largest debtor country, with a large and growing trade deficit, has been redeeming its position in terms of trade deficit.

13.3 INDIA'S TRADE WITH USA

Given below is the trade pattern with USA both in tabular form and graphical form. The overall pattern of India US trade is given in Table 4.

India's trade with USA has always been a win-win situation of India. India has a good trade record. Exports grew by 430 per cent during the period 2000 to 2020. Imports grew by 828 per cent. Despite this India's positive trade balance grew by two and half times. This shows that in absolute terms India's position is very positive but in relative terms, despite USA suffering during GFC it has gained because imports grew twice as fast as exports. In the net India has been a loser in relative terms.

The USA has been India's largest trading partner for long. In very recent years there has been a deceleration in US total bilateral trade (goods and services) with India which dropped 18% to \$122 billion in 2020, due to the pandemic. US exports of goods and services to India at \$45 billion were down 26% from 2019; US imports from India, at \$77 billion, dropped 12% from \$88 billion in 2019.

Till 2019 the trend in India's export to USA has been gaining ground. There have been some downturns like 2009 as an aftermath of GFC. The significant upturns were 2014 and 2019. It is only in the terminal year, 2020, that the exports have fallen.

Table 4-India's Trade with USA

Year	Exports	Imports	Balance of Trade	Nature of BoT
2000	9304914	2867286	6437628	Positive
2001	8404056	3226731	5177325	Positive
2002	10388760	3826372	6562387	Positive
2003	11186815	5064953	6121862	Positive
2004	13105037	5943656	7161381	Positive
2005	16542685	8306675	8236010	Positive
2006	18705452	11321478	7383975	Positive
2007	20133334	14206366	5926968	Positive
2008	21407125	24487130	-3080005	Negative
2009	19128200	15998423	3129777	Positive
2010	23587442	19096287	4491155	Positive
2011	32919043	22573883	10345160	Positive
2012	37170686	24105441	13065245	Positive
2013	41956732	22600341	19356391	Positive
2014	42684740	20439727	22245013	Positive
2015	40312703	20463651	19849052	Positive
2016	41992468	20395235	21597233	Positive
2017	46018077	24086157	21931920	Positive
2018	51628587	38904475	12724113	Positive
2019	54288194	34917972	19370223	Positive
2020	49320596	26615673	22704924	Positive

Source: World Integrated Trade Solutions, World Bank.

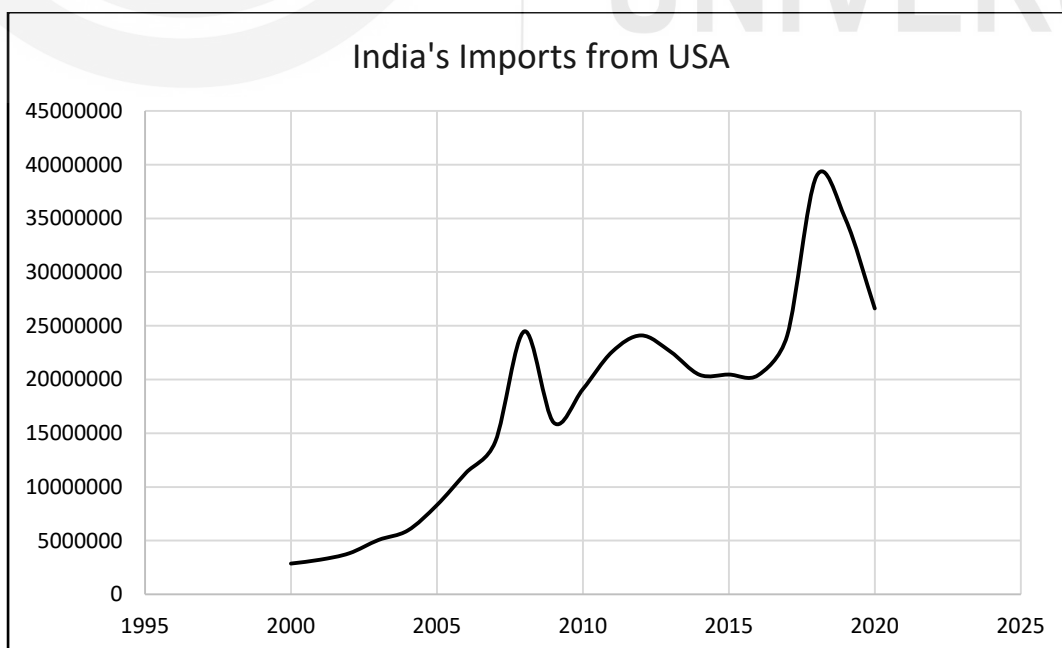
Figure 1-India's Export to USA



Source: World Integrated Trade Solutions, World Bank.

India's exports to USA show a robust trend. They have continuously increased. The two peaks are in 2014 and 2019. There is a trough (fall) in 2009, after GFC. India's exports to USA have grown 4.3 times in net. India has continuously been maintaining this positive trend.

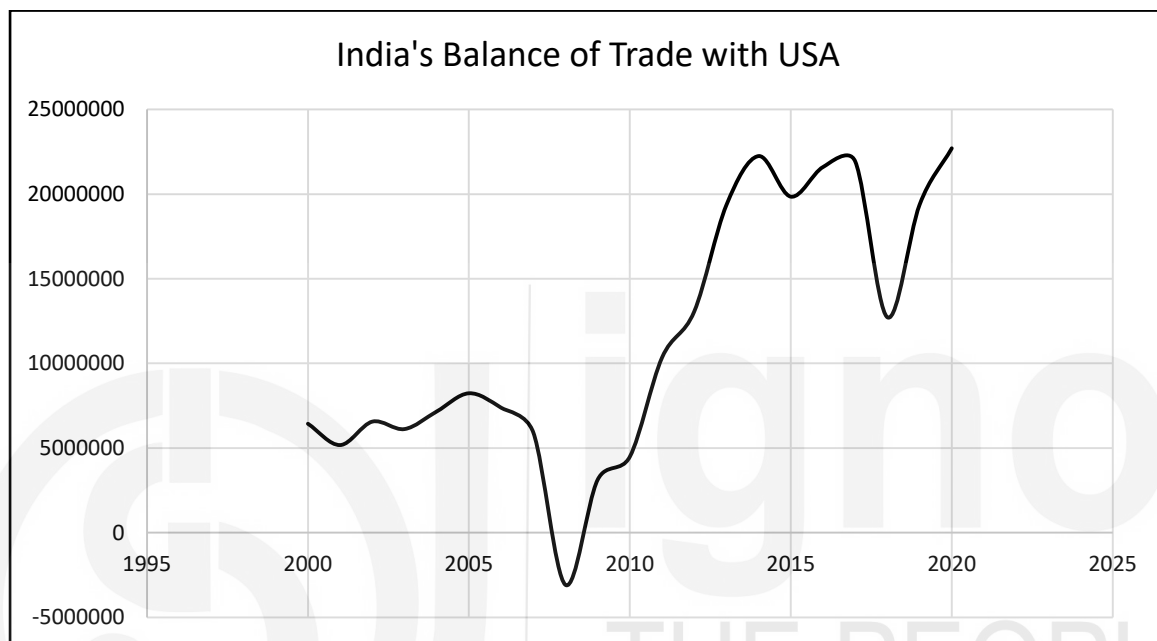
Figure 2 - India's Imports from USA



Source: World Integrated Trade Solutions, World Bank.

India's imports from USA shows a growing trend but is more volatile than her exports to USA. They have continuously increased. The two peaks are in 2008, after GFC and 2018. There is a trough (fall) in 2016. India's imports to USA have grown over 8 times in net.

Figure 3- India's Balance of trade with USA



Source: World Integrated Trade Solutions, World Bank.

India's balance of trade with USA has been very encouraging. It has been positive throughout except for 2008, after GFC. It is a growing trend but is more volatile than her exports to USA. Balance of trade continuously increased. The three peaks are in 2014, 2017 and 2020. There is continuous fall from 2005 to 2008. India's balance of trade has grown by two and a half times. This is despite many crises like GFC and Covid.

13.4 RECENT TRENDS

Given below are some recent trends India-US trade:

Table 5 - Recent Trends

India-US Trade Statistics (2017-2022) (in US\$ Billion)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
India exports to US	US\$47.87	US\$52.40	US\$53.08	US\$51.62	US\$76.11
<i>Growth</i>	<i>NA</i>	<i>9.46 %</i>	<i>1.30 %</i>	<i>-2.76 %</i>	<i>47.44 %</i>
<i>Share in India's total exports</i>	<i>15.77 %</i>	<i>15.88 %</i>	<i>16.94 %</i>	<i>17.69 %</i>	<i>18.04 %</i>
India imports from US	US\$26.61	US\$35.54	US\$35.82	US\$28.88	US\$43.31
<i>Growth</i>	<i>NA</i>	<i>33.59 %</i>	<i>0.76 %</i>	<i>-19.35 %</i>	<i>49.94 %</i>
<i>Share in India's total imports</i>	<i>5.72 %</i>	<i>6.92 %</i>	<i>7.55 %</i>	<i>7.32 %</i>	<i>7.07 %</i>
Total trade between India and US	US\$74.48	US\$87.95	US\$88.90	US\$80.51	US\$119.42

India-US Trade Statistics (2017-2022) (in US\$ Billion)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<i>Growth</i>	<i>NA</i>	<i>18.08 %</i>	<i>1.08 %</i>	<i>-9.44 %</i>	<i>48.33 %</i>
<i>Share in India's total trade</i>	<i>9.69 %</i>	<i>10.42 %</i>	<i>11.28 %</i>	<i>11.73 %</i>	<i>11.54 %</i>
India-US trade balance	US\$21.26	US\$16.85	US\$17.26	US\$22.73	US\$32.79

Source: <https://www.india-briefing.com/news>

In short period of 2018 to 2022, just over four years, India's exports to USA have grown from US\$ 47 billion to US\$ 76 billion. This is in spite of a small decline during 2020-21, which was following Covid. The highest growth rate being over 47% during 2021-22. Also the share in India's exports has grown from 15 to 18 per cent, despite Covid.

During the same period, of 2018 to 2022, just over four years, India's imports to USA have grown from US\$ 26 billion to US\$ 43 billion. This is in spite of a small decline during 2020-21, which was following Covid. The highest growth rate being over 49% during 2021-22. Also, the share in India's imports has grown from 5 to 7 per cent, despite Covid.

During the same period, of 2018 to 2022, just over four years, India's total trade with USA has grown from US\$ 74 billion to US\$ 119 billion. This is in spite of a small decline during 2020-21, which was following Covid. The highest growth rate being over 48% during 2021-22. Also, the share in India's imports has grown from 9 to 11 per cent, despite Covid.

In short period of 2018 to 2022, just over four years, India's positive trade balance with USA has grown from US\$ 21 billion to US\$ 32 billion. This is in spite of a small decline during 2020-21, which was following Covid.

13.5 COMPOSITION OF INDIA – US TRADE

The following is the composition of trade with USA in terms of major product and major agro products. This data has been taken from OECD data sources.

(<https://oec.world/en/profile/bilateral-country/ind/partner/usa>).

Major products exported from India

- Diamonds (non-mounted) amounting to 7.98 billion USD.
- Medicines (not individual doses) 7.41 billion USD in value
- Oil (petroleum) 3.52 billion USD in value.
- Shrimps and crustaceans worth 2.14 billion USD.
- Jewellery (parts) of the order of 1.95 billion USD.

Major agro exports from India

- Spices
- Rice
- Essential oils
- Processed fruits and vegetables.
- Vegetable oils

Major products imported from USA

- Oil (petroleum) 5.64 billion USD in value.
- Diamonds (non-mounted) amounting to 4.37 billion USD.
- Gold 1.5126 billion USD in value
- Civilian airline parts worth 1.4 billion USD.
- Coal and briquettes in the order of 1.23 billion USD.

Major agro imports from USA

- Tree Nuts
- Cotton
- Fresh Fruits
- Dairy Products
- Prepared Foods

13.6 INDIA'S TOP TRADING PARTNERS

Given below is a table of India's top trading partners.

Table 6- India's Top Trading Partners

India's Top Trading Partners FY 2021-22 (US\$ Billion)			
Trading partner	Export	Import	Total trade
US	US\$76.1	US\$43.31	US\$119.4
China	US\$21.25	US\$94.16	US\$115.41
UAE	US\$28.04	US\$44.83	US\$72.87
Saudi Arabia	US\$8.75	US\$34.10	US\$42.85
Iraq	US\$2.40	US\$31.92	US\$34.33

Source: <https://www.india-briefing.com/news>

USA continues to be India's biggest trading partner. This in spite of China taking over this position during one recent year. The total trade has been 119 US\$ billion. China is a small amount less at started at 115 US\$ billion. UAE at 72, Saudi at 42 and Iraq at 34 stand in that order. There shall continue to be a competition between USA and China in the coming years.

Check Your Progress A

1. Write economic indicators of USA for the year 2020.

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2. Write five major products exported from India to USA.

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3. Write five major products imported form USA to India.

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4. Write five top trading partners of India for the year 2021-22.

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13.7 TRADE PROSPECTS WITH USA

The US surpassed China to become India's top trading partner in FY 2021-22. It was for a noticeably short period that China had become India's top trading partner. This indicated the length and strength of India's economic ties with USA. Bilateral trade between India and the US stood at US\$119.42 billion, or 11.5 percent of India's total trade. The US is the only country with which India has a positive trade balance. This means that USA imports more than it exports to India. This gives all the advantage to India.

India shares the advantage of being a service economy. Therefore, service exports hold good potential for being exported from India. Especially, with “Work from Home” becoming a common policy across the world. India USA trade along these lines holds great promise.

Diversification is desired because all products in India’s product mix are traditional. India has shown its prowess in dealing with Covid. So, India should move towards exporting medical supplies and vaccinations.

The main problem with trading with developed countries like USA is the WTO provisions of Sanitary and Phytosanitary conditions (SPS). For overcoming this India has to develop process standards that come up to the expectations of USA. India ranks second in fruits and vegetables production in the world, after China. As per National Horticulture Database published by National Horticulture Board, during 2015-16, India produced 90.2 million metric tonnes of fruits and 169.1 million metric tonnes of vegetables. If SPS guidelines are enforced, then India can become a major exporter of fruit and vegetables to the USA.

13.8 ECONOMIC RELATIONS

In 2021, overall U.S.-India bilateral trade in goods and services reached a record \$157 billion. The United States is India’s largest trading partner and most important export market. Many U.S. companies view India as a critical market and have expanded their operations there. Likewise, Indian companies seek to increase their presence in U.S. markets and at the end of 2020, Indian investment in the United States totalled \$12.7 billion, supporting over 70,000 American jobs. The nearly 200,000 Indian students in the United States contribute \$7.7 billion annually to the U.S. economy.

India is also one of twelve countries partnering with the United States on the Indo-Pacific Economic Framework for Prosperity (IPEF) to make our economies more connected, resilient, clean, and fair. India is a member of the Indian Ocean Rim Association (IORA), at which the United States is a dialogue partner. In 2021, the United States joined the International Solar Alliance headquartered in India, and in 2022 the United States Agency for International Development (USAID) Administrator Samantha Power became Co-chair of the Governing

Council of the Coalition for Disaster Resilient Infrastructure (CDRI) where India is a permanent co-chair.

13.9 CHALLENGES AND OPPORTUNITIES

Challenges

High Tariffs and Protectionist Policies : When doing business in India, U.S. exporters and investors often encounter non-transparent or unpredictable regulatory and tariff policies. Likewise, U.S. goods and services in some sectors have limited access to the market. India has the highest average applied tariff of any G20 country, and some of the highest bound tariff rates among WTO members.

Price Sensitivity: Indian companies and consumers are extremely price sensitive. U.S. companies must evaluate whether they can sell at prices that Indians are willing to pay and may need to adjust their sales models accordingly. For example, some companies sell products in smaller sizes or with fewer features to reflect price sensitivities of Indian consumers.

Infrastructure: India has significant infrastructure development needs and improvements in this sector are vital to the country's economic growth. India's congested road transportation infrastructure; inordinate delays in railway freight movement; inefficient and long turnaround time at ports; and a fast-growing but highly concentrated airport sector all contribute to significant capacity constraints. If these constraints are not addressed, there may be stymie economic growth. Infrastructure projects in India often suffer from delays in completion, mainly due to an inadequate regulatory framework and inefficiency in the project approval process. India has ambitious infrastructure development plans, notably in airports and inland waterways as alternative means of transport to traditional road and rail, as well as in intermodal logistics to focus on improving first and last mile connectivity. India has devoted significant portions of its recent annual budgets to infrastructure development and plans to execute these initiatives largely through a public-private partnership model. However, timely execution of projects within allocated budgets remains a challenge, even when funding is available.

Power of States : As a federal system, power and decision-making are decentralized in India, with differences at the state level in political leadership, quality of governance, regulations, taxation, and labour relations. Indian states generally hold greater power than their U.S. counterparts. U.S. companies face varying business and economic conditions across India's 28 states and eight union territories and should factor these variations into their national business strategies.

The current government has promoted the idea of “cooperative, competitive federalism,” encouraging states to compete against each other to attract investment. The Ministry of Commerce and Industry's Department for Promotion of Industry and Internal Trade maintains an “Ease of Doing Business” state-by-state ranking on its website.

Trade Environment in the Post Pandemic World

Trade and Investment: The free flow of goods, services, ideas and people that propelled the world economy through the 1990s and 2000s was dealt a blow by the global financial crisis and the rise in protectionism that followed, especially in advanced economies. Trade-restricting measures, such as temporary export bans and other non-tariff measures, have mushroomed, while multilateral negotiations on trade liberalisation are at an impasse.

At the same time, the forces of global trade are changing. The shale revolution reduced the need for the US to import large amounts of oil and gas, for instance, while Chinese demand for natural resources fell as its booming economy slowed in the 2010s. Together, those forces ushered in a period of “slowbalisation”—a stagnation, rather than decline, of globalisation over the past decade. As a share of GDP, global trade and foreign direct investment (FDI) had not returned to their pre-financial crisis peaks before Covid-19 struck.³ The pandemic also precipitated changing patterns in FDI inflows, causing some host countries' investment to decrease, while others, such as Hong Kong, India and Luxembourg, demonstrated increased FDI inflows in 2020 (Source: United Nations Conference on Trade and Development (UNCTAD)).

Mass Digitisation: Covid-19 accelerated the uptake of technology in business and society by several years, as digitalisation became a necessity rather than a choice. This is particularly evident in the sectors hit worst by the pandemic. In education, lockdowns forced universities and schools to shift to online learning models, with varying degrees of success. E-commerce

uptake reached levels that would otherwise have been years away, with sales in the UK rising by 46% in 2020. Companies are deploying Internet and Communication Technologies (ICTs) not only to interact with consumers, but to bolster resilience in their supply chains. Well established tools, such as digital payments and cloud computing, are already widely used in GVCs. Increasingly, they are supported by advanced technologies, including the Internet of Things (IoT), artificial intelligence (AI) and machine learning, robotics, blockchain solutions, virtual and augmented reality (VR and AR).

The Sustainability Shifts: Before Covid-19, companies were setting increasingly ambitious targets to reduce emissions and clean up their supply chains. The economic shock that the pandemic triggered could have derailed such plans, however the opposite happened. “Clean growth”, and a drive for sustainable and resilient sourcing, became the new stated economic paradigm. This paradigm has impacted all sectors of the economy, from consumer goods to energy, agriculture and financial services.

Global Value Chains: Covid-19 accelerated the uptake of technology in business and society by many years, as digitalisation became a necessity rather than a choice. Notably, the digitalisation of global value chains (GVCs) for goods and services is one of the most visible trends. Supporting infrastructure and services for digital GVCs will see rapid expansion in the years to come. Countries around the world urgently aim to develop their digital sectors, and beyond the largest economies (China and the US), countries such as the UK, India and Canada are now home to a growing base of start-ups operating in these high-growth sectors.

Check Your Progress B.

1. Why have services export from India good potential for USA markets?

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2. Write three challenges of India-USA trade.

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3. Answer all these questions by reading the relevant sections above. All questions relate to India – USA trade.

- I. USA is good for trade because it has.....
- II. USA's main strength in trade is
- III. Which is the top product exported from India to USA?
- IV. With which country does India have positive trade balance?
- V. Why does the USA have a strong currency?
- VI. Which are the common exports between India and the USA?
- VII. Are there any common agro products exported from and to India with respect to USA?

13.10 LET US SUM UP

In this chapter Unit we have studied India's trade with USA. USA has great feature like a vast coastline, resources, and technology. Still India has distinct comparative advantage in certain areas which are labour intensive and a service oriented. Surprisingly India has experienced a continuous growth in exports, imports, and a positive balance of trade with USA. It is the only country with which India has a positive balance of trade all through with the exception of GFC. Even Covid has not upset India's pattern of positive trade balance with USA. Hence, USA has always remained India's top trading partner with the exception of last year.

But it has been seen that in absolute terms India's trade with USA is shrinking in recent years. India needs to set right the record. Although this year USA has regained its position as top trading partner of India. Last year China had taken over briefly.

In general, there are many challenges in respect of Indo-US trade but particularly the Covid Pandemic has changed the trade environment irreversibly.

USA and China are the first and second largest trading partners of India. For some time to come they will compete with each other. India should expand trade ties with both countries.

The global trends post Covid lead to certain opportunities like developing Global Value Chains,

13.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress B

(3)

- I. A vast coastline and immense resources.
- II. Technology and a strong dollar
- III. Diamonds (non-mounted)
- IV. USA
- V. Because it has low inflation.
- VI. UAE.
- VII. Diamonds (non-mounted) and Oil (petroleum)
- VIII. No.

13.12 TERMINAL QUESTIONS

1. What potential does trade with USA hold for India? Discuss with examples.
2. Explain the current trends in India USA trade?
3. Discuss the pattern of mutual trade between India and USA?
4. Describe Sanitary and Phytosanitary conditions under WTO agreements?
5. Explain the challenges of India Us trade in general?
6. How has Covid'19 changed the trade environment?

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