

## REVIEW OF INDO-US INTERNATIONAL TRADE DURING THE PERIOD 2017-18 TO 2019-20

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### ABSTRACT

*This paper reviews Indo-US international trade during the three year period 2017-18 to 2019-20 to analyze various features and trends. India's more than 10% of the total international trade is with the USA. International Trade is of great significance for any economy and especially for a developing economy like India. Interestingly India has a trade surplus with the USA, that is, its exports to the USA are more than its imports from the USA. The trade surplus with the USA will help India to curtail its overall international trade deficit that primarily arises due to India's large dependence on oil imports from the Gulf countries. From the USA's point of view imports from India offer a low cost advantage and hence it is a case of win-win solution for both the nations. India should promote its exports on the basis of its low-cost advantage and help its trading partner the USA in achieving lower costs of business operations.*

**Keywords:** International trade, imports, exports, trade balance.

### 1. Introduction

The United States of America (USA) is one of India's largest trading partner. India's more than 10% of the total international trade is with the USA. International Trade is of great significance for any economy and especially for a developing economy like India. Moreover India depends heavily on imports especially for crude oil and hence it needs to balance its international trade with reasonable exports so that it has sufficient amount of foreign exchange at its disposal. Even though Prime Minister Modi shared an excellent political equation with US President Donald Trump, US imposed several trade restrictions related to international trade. It unilaterally imposed penal import duties on aluminium and steel from India and some other nations under the notion of protecting national security interests. Trump Government also cancelled GSP benefits (exports at zero duties) from Indian exporters, of certain items, and kept putting pressurizing India to import more from the US to bridge the trade deficit. The US Government also tried to get into a Free Trade Agreement with India, but it was inflexible on key demands in areas such as market access for dairy and farm products and medical equipment. This paper reviews Indo-US international trade during the three year period 2017-18 to 2019-20 to analyze various features and trends. Following objectives were set for the study:

- a. To review the Indian exports to the USA during the three year period 2017-18 to 2019-20,
- b. To review the Indian imports from the USA during the three year period 2017-18 to 2019-20, and
- c. To review the total international trade with the USA during the three year period 2017-18 to 2019-20.

### 2. Literature Review

Reddy (2011) writes that over the last 15 years the value proposition of Indian IT companies evolved more around capability and capacity. Starting from doing low-end work, Indian companies have quickly moved up the value chain by focusing on process excellence, alternative solutions and innovative ideas. As Indian companies started moving up the value chain and started executing high-end work, it has become imperative to have a strong local presence, essentially to:

- Build domain expertise
- Manage customer relationships
- Provide program management expertise.

As a result, Indian companies either created jobs by hiring local talent in the US or acquired US companies. No denying some talent was also transferred from India with appropriate visas. On aggregate, for every four jobs created in India, the companies have created at least one job in the US. In most cases these jobs are highly paid jobs.

Iqbal et al. (2017) state that foreign trade has played an important role in India's economic growth in the past two decades. It has enhanced competitiveness; expanded business opportunities for domestic markets. By removing unnecessary barriers, it made easier for India and the US to export and import. Since the economic reforms introduced in the year 1991, India has radically changed its trade relations with the United States. The trade between India and the US has risen sharply in the present decade. This paper is an attempt to examine the empirical relationship between bilateral trade and economic growth of India with the US. For achieving this objective, the study covers a period of 30 years and the data are analysed through multiple regressions as the main statistical tool. The results reveal a positive impact of the bilateral trade on economic growth for both countries.

Siwach and Nanda (2012) write that the economies of world are under stress and the trade between the largest economy, the USA, and one of the fastest growing economies, India, is of vital importance in relieving this stress in their respective economies. The present paper tries to identify high potential export commodities on the basis of Revealed Comparative Advantage (RCA) analysis from 2006 to 2010. Paper uses the RCA of India in exports and compares it with RCA of USA in imports taking HS Code as the basic unit of classification. Instead of analyzing the RCA at particular time, this paper does so for a period of time (2006-10) and it also goes a step ahead to compare the rank of these commodities in exports to draw its implications on foreign trade policy. The Data as per the HS classification is used to compute the index of RCA and a time-series study provides information and opportunities in sectors, which have displayed a continuous trend in comparative advantage.

Islam et al. (2017) in their article applies the Bickerdike–Robinson–Metzler (BRM) model

to examine the effect of the exchange rate of Indian rupee vs the US dollar on India's trade balance. Using the elasticity of absorption approach, authors consider the link between macroeconomic variables and trade balance. Authors also explore the existence of J-curve relationship. The study period, 1965 to 2008, is hallmarked by major shifts in global politico-economic landscape which can potentially cause structural break in the series. Findings are: (a) cointegration, (b) positive impact of depreciation of rupee against the US dollar on India's trade balance and (c) a J-curve relation. The findings have implications for policy for India and its neighbours.

Sahoo et al. (2012) observe that India and the United States of America (USA) have much in common – diversity, democracy, commitment to global causes. Though trade and investment constitute the core of the Indo-US strategic dialogue, such cooperation in its current form lacks focus and the actual trade has been much below potential given the size and complementarity between the two countries. In this context, the present paper analyzes trade, investment and mutual cooperation between the two countries and identifies a number of issues to improve US-India economic relations. Saxena and Nath (2012) write that in the early years of globalization, the United States of America has emerged as a leading trade partner of India and bilateral trade grew rapidly. India which was in the midst of a rapid economic expansion became a preferred destination for many American companies which began to look on India as a lucrative market and an effective outsourcing destination.

Not much research is seen on the Indo-US trade relations during the period 2017-18 to 2019-20.

### **3. Review Of Indo-Us International Trade**

Following table presents the snapshot of the Indo-US international trade for the period 2017-18 to 2019-20.

**Table 1: Indo-US international trade for the period 2017-18 to 2019-20**

(In USD million)

Sr. No.	Particulars	2017-2018	2018-2019	2019-2020
1	EXPORT	47,878.48	52,406.27	53,088.77
2	%Growth		9.46	1.3
3	India's Total Export	303,526.16	330,078.09	313,361.04
4	%Growth		8.75	-5.06
5	%Share	15.77	15.88	16.94
6	IMPORT	26,611.03	35,549.48	35,819.87
7	%Growth		33.59	0.76
8	India's Total Import	465,580.99	514,078.42	474,709.28
9	%Growth		10.42	-7.66
10	%Share	5.72	6.92	7.55
11	TOTAL TRADE	74,489.51	87,955.76	88,908.65
12	%Growth		18.08	1.08
13	India's Total Trade	769,107.15	844,156.51	788,070.32
14	%Growth		9.76	-6.64
15	%Share	9.69	10.42	11.28
16	TRADE BALANCE	21,267.44	16,856.79	17,268.90
17	India's Trade Balance	-162,054.83	-184,000.33	-161,348.24

(Source: Department of Commerce, 2019-20)

Based on the total trade it can be seen that around 10% of India's total trade was with the USA and hence USA was a major trading partner with India during the three-year period from 2017-18 to 2019-20.

#### 4. Findings And Discussion

Exports to the USA from India during 2017-18 were USD million 47878.48. They grew by 9.46% to reach USD million 52406.27 in 2018-19 and further by another 1.30% to reach USD million 53088.77 in the year 2019-20. India's total exports were USD million 303526.16 in 2017-18, USD million 330078.09 in the year 2018-19, and USD million 313361.04 in the year 2019-20. Thus, the share of USA exports in the total exports was 15.77%, 15.88% and 16.94% for the three years 2017-18, 2018-19, and 2019-20.

Imports from the USA by India during 2017-18 were USD million 26611.03. They grew by 33.59% to reach USD million 35549.48 in 2018-19 and further by another 0.76% to reach USD million 35819.87 in the year 2019-20. India's total imports were USD million 465580.99 in 2017-18, USD million 514078.42 in the year 2018-19, and USD million 474709.28 in the year 2019-20. Thus, the share of imports from the USA in the total imports

was 5.72%, 6.92% and 7.55% for the three years 2017-18, 2018-19, and 2019-20.

Total trade with the USA by India during 2017-18 was USD million 74489.51. They grew by 18.08% to reach USD million 87955.76 in 2018-19 and further by another 1.08% to reach USD million 88908.65 in the year 2019-20. India's total international trade was USD million 769107.15 in 2017-18, USD million 844156.51 in the year 2018-19, and USD million 788070.32 in the year 2019-20. Thus, the share of total trade with the USA was 9.69%, 10.42% and 11.28% for the three years 2017-18, 2018-19, and 2019-20.

For all the three financial years under consideration, namely, 2017-18, 2018-19, and 2019-20 India had a favorable trade balance, that is, its exports to the USA were more than the imports from the USA. The positive trade balance was USD million 21267.44 for 2017-18, USD million 16856.79 for 2018-19, and USD million 17268.90 for 2019-20. Thus, India enjoys a trade surplus with the USA. While it does not import an item like crude oil from the USA India has sizable exports of software and other services to the USA. Major Indian IT companies like TCS, Infosys and WIPRO have sizable export of software and related services exports to the USA and these

are significant contributors to the nation's foreign earnings.

### 5. Conclusion

India shares a strategic international trade relationship with the USA since USA is one of the largest international trade partner of India. Interestingly India has a trade surplus on the international trade account with the USA making a case for special significance of the Indo-US bilateral trade relationship. During the three-year period from 2017-18 to 2019-20 exports by India to the USA, imports by India from the USA and the total trade between India and the USA saw a positive growth. While this growth was of a higher magnitude in the year 2018-19 as compared to the year 2017-18, it was only moderate in the year 2019-20 as compared to the year 2018-19. In any case if we consider the overall trade balance of India's international trade, USA clearly emerges as a

strategic partner as it shows a sizable trade surplus as compared to a significant overall international trade deficit suffered by India. This indicates that India needs to take steps to strengthen its bilateral trade relationship with the USA. It should exploit the high potential export market that exists in the USA especially in the area of Information Technology (IT) and Information Technology Enabled Services sector (ITES). The trade surplus with the USA will help India to curtail its overall international trade deficit that primarily arises due to India's large dependence on oil imports from the Gulf countries. From the USA's point of view imports from India offer a low cost advantage and hence it is a case of win-win solution for both the nations. India should promote its exports on the basis of its low-cost advantage and help its trading partner the USA in achieving lower costs of business operations.

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