



# India-US Economic and Financial Partnership Meet

**For Prelims:** India-US Relations, Indo-Pacific Strategy

**For Mains:** Bilateral Groupings & Agreements, Indo-Pacific Region, India US Relations - Challenges and Areas of Cooperation

## Why in News?

Recently, the 9<sup>th</sup> Ministerial meeting of the **India-US Economic and Financial Partnership** was held.

- The Indian delegation was led by the Union Minister for Finance & Corporate Affairs and the USA delegation was led by the Treasury Secretary.

## What are the Key Highlights of the Meet?

- **Efforts to Increase Climate Ambition:**
  - Both countries shared the **re-energized global efforts to increase climate ambition** as well as respective domestic efforts to meet publicly expressed **climate goals**.
- **Macroeconomic Challenges:**
  - In the context of the **conflict in Ukraine**, both discussed the **current headwinds to the global macroeconomic outlook** including increased commodity and energy prices as well as supply side disruptions, and reemphasized their commitment to the central role of multilateral cooperation in addressing these global macroeconomic challenges.
- **Multilateral Development Banks:**
  - They acknowledged the importance of working through MDDBS to help India access and mobilize available financing to support development objectives, including **climate action**.
  - Both plan to continue engaging on these and other global economic issues multilaterally and bilaterally.
- **Equal Debt Treatment:**
  - Both sides affirmed their **commitment to debt sustainability, transparency in bilateral lending, and coordinating closely on extending fair and equal debt treatment to countries facing debt distress**.
- **G20 Common Framework for Debt Treatment:**
  - Both reiterated commitment to step efforts to implement the **G20 Common Framework for Debt Treatment** in a predictable, timely, orderly and coordinated manner.
- **Collective Quantified Goal:**
  - Both agreed to mobilize USD 100 billion every year till 2025 from public and private sources for developing countries, in the context of meaningful mitigation actions and transparency on implementation.
  - The countries also discussed **mutual collaboration in sharing of information to tackle offshore tax evasion**.
- **Foreign Account Tax Compliance Act:**
  - The two sides will continue to engage in discussions relating to the **Foreign Account Tax Compliance Act (FATCA)** for sharing of financial account information.

## How have been India's Relations with the US?

### ▪ About:

- The U.S.-India strategic partnership is founded on shared values including a commitment to democracy and upholding the rules-based international system.
- The United States and India have shared interests in promoting **global security, stability, and economic prosperity** through trade, investment, and connectivity.
- The United States supports **India's emergence as a leading global power and a vital partner** in efforts to safeguard the **Indo-Pacific as a region of peace, stability, and growing prosperity**.

### ▪ Economic Relations:

- In 2021, overall U.S.-India bilateral trade in goods and services reached a record **USD 157 billion**.
- The United States is **India's largest trading partner** and most important export market.
- America is one of the few countries with which India has a **trade surplus**. In 2021-22, India had a trade surplus of USD 32.8 billion with the US.

### ▪ International Cooperations:

- India and the United States cooperate closely at multilateral organizations, including the **United Nations, G-20, Association of Southeast Asian Nations (ASEAN)** Regional Forum, **International Monetary Fund, World Bank**, and **World Trade Organization**.
- The United States welcomed **India joining the UN Security Council in 2021** for a two-year term and supports a reformed UN Security Council that includes India as a permanent member.
- Together with Australia and Japan, the **United States and India convene as the Quad to promote a free and open Indo-Pacific** and provide tangible benefits to the region.
- India is also one of twelve countries partnering with the United States on the **Indo-Pacific Economic Framework for Prosperity (IPEF)**.
- 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)**.

## What are the Associated Challenges of India-US Ties?

- **Tariff Imposition:** In 2018, the **US imposed a 25% tariff** on certain steel products and a 10% tariff on certain aluminum products from India.
  - India retaliated in June 2019, by increasing tariffs on 28 products worth about USD 1.2 billion on US imports.
    - However, after the imposition of the Section 232 tariffs, steel exports to the US declined by 46% year-on-year.
- **Misunderstanding Self-Reliance as Protectionism:** The **Atmanirbhar Bharat Campaign** has exacerbated the view that India is increasingly becoming a protectionist closed market economy.
- **Exemption from US' Generalised System of Preferences:** Effective since June 2019, the USA decided to withdraw duty-free benefits to Indian exporters under the GSP programme.
  - Consequently, special duty treatment on USD 5.6 billion worth of exports to the US was removed, affecting India's export-oriented sectors such as pharmaceuticals, textiles, agricultural products and automotive parts.
- **US' Hostility towards Other Countries:**
  - Some of the differences between India and the US are not direct consequences of India-US relationship but due to US' hostility towards third countries like Iran and Russia – the traditional allies of India.
  - The other issues that are challenging India-US relationship include India's ties with Iran and India's purchase of S-400 from Russia.
  - The US' call for India to distance itself from Russia may have a far-reaching consequence to South Asia's status quo.
- **US' policy in Afghanistan:**
  - India is also concerned over the US' policy in Afghanistan as it is jeopardizing India's security and interest in the region.

## Way Forward

- The unparalleled **Demographic Dividend** provides enormous opportunities for the US and Indian firms for technology transfer, manufacturing, trade and investment.
- India is emerging as a leading player in an international system that is undergoing an unprecedented transformation. It shall use its present situation to explore opportunities to further its vital interests.
- India and the US are strategic partners today in the true sense of the term - a partnership among mature major powers that is not seeking a complete convergence but managing differences by ensuring a continuous dialogue and channelling these differences into crafting new opportunities.
- Russia's increased alignment with China as a result of the Ukraine crisis only complicates India's ability to rely on Russia as it balances China. Hence, continuing cooperation in other security areas is in both countries' interests.
- Space governance will become central to the US-India bilateral relationship, driven by mutual concern about the increasing space capabilities of the Chinese Army.

### UPSC Civil Services Examination Previous Year Question (PYQ)

**Q.** What introduces friction into the ties between India and the United States is that Washington is still unable to find for India a position in its global strategy, which would satisfy India's National self-esteem and ambitions'. Explain with suitable examples. **(2019)**

**Source: PIB**

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