



## India's Trade with the USA

**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 Ministry of Commerce and Industry has released the data, which showed that the **US has surpassed China** becoming India's **top trading partner in 2021-22**.

- Major export items from India to the US include **petroleum, polished diamonds, pharmaceutical products, jewellery, frozen shrimp**, whereas major **imports** from the US include **petroleum, rough diamonds, liquified natural gas, gold, coal, waste** and scrap, almonds and so on.
- The data showed that China was India's top trading partner from 2013-14 till 2017-18 and also in 2020-21.
  - Before China, the UAE was the country's largest trading partner.

### What are the Key Points?

- **Bilateral Trade with the US:**
  - Bilateral trade between the US and India stood at **USD 119.42 billion (2021-2022)** as against USD 80.51 billion in 2020-21.
  - Exports to the US increased to USD 76.11 billion in 2021-22 from USD 51.62 billion in the previous fiscal year, while imports rose to USD 43.31 billion as compared to about USD 29 billion in 2020-21.
  - 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.
- **Bilateral trade with China during the Same Period:**
  - During 2021-22, **India's two-way commerce with China aggregated at USD 115.42 billion** as compared to USD 86.4 billion in 2020-21.
  - Exports to China **marginally increased to USD 21.25 billion last FY 2021-22** from USD 21.18 billion in 2020-21.
  - On the other hand, imports from China jumped to USD 94.16 billion from about USD 65.21 billion in 2020-21.
  - The trade gap (Import - Export) rose to USD 72.91 billion in 2021-22 from USD 44 billion in the previous fiscal year.

### What Factors made the US Largest Trading Partner?

- India is emerging as a trusted trading partner and global firms are reducing their dependence on China for their supplies and are diversifying business into other countries like India.
- India has joined a **US-led initiative to set up an [Indo-Pacific Economic Framework \(IPEF\)](#)** and

this move would help boost economic ties further.

- The US has consistently been India's largest market for services exports, but the recent overseas sales of merchandise goods to that country overtook China, making it the largest bilateral trading nation of India.
  - India's total merchandise exports touched a record USD 418 billion in 2021-22, exceeding the Center's target by about 5% and clocking a 40% growth over the previous year.

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

- India-US bilateral partnership today encompasses a whole host of issues including the response to [Covid-19](#), economic recovery post-pandemic, the [climate crisis](#) and [sustainable development](#), **critical and emerging technologies**, [supply chain resilience](#), **education**, the [diaspora](#), and [defence and security](#).
- The breadth and depth of Indo-US ties remain **unmatched and the drivers of this partnership have been growing** at an unprecedented rate.
  - The relationship remains unique insofar as this is driven at both levels: at the strategic elite as well as at the people-to-people level.
- Although India and the US have **quite contradictory responses towards the [Russia-Ukraine crisis](#)**.
- India and the US have **underscored their commitment to continue to build on the momentum of recent years** and not lose sight of the larger strategic picture.

## 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.

**Source: IE**

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