



# US-India Economic Cooperation

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Economic cooperation between the United States and India is at an all-time high and continues to grow at a fast pace. Yet, this level of cooperation is not the result of inter-governmental initiatives. Rather, it has emerged in their absence. For the US-India economic relationship to reach its full potential, there must be a more serious approach by both countries to removing economic and trade barriers, while improving the business environment and people-to-people ties.

The United States and India have a long history of economic cooperation. In the early years of the relationship, the focus was on aid and technical guidance, with the United States providing resources to support India's economic development. However, over the past two decades, the relationship has become better balanced, as today India is the fifth-largest economy in the world.<sup>1</sup> This US-India economic relationship has largely emerged and been strengthened by the private sector in both countries working together on a range of initiatives.

Consider the numbers. More than two hundred thousand Indian students study in the US every year. Many of them remain in the US and become successful entrepreneurs, leading executives, and professionals. They directly participate in the growth of the US economy. And apart from personal remittances and philanthropy, they develop business ties between our two countries.<sup>2</sup> The Indian diaspora in the US is estimated to have doubled in size since 2000, to the benefit of both countries. At nearly five million people, it is now both a political and an economic force.

Trade in US goods and services with India totaled approximately \$146.1 billion in 2019, having nearly tripled over the prior decade. The US is presently India's largest export destination, driven by a booming software and services industry. India is the United States' twelfth-largest export market as of 2019, with much of the potential coming from India's emerging middle class of consumers.

Apart from people and trade, we must also consider investment flows. India has prospering capital markets, not just in the region but also in the world. The Bombay Stock

Exchange and the National Stock Exchange attract substantial US investment. US venture capital firms actively promote Indian entrepreneurship, and several of India's "unicorns" (i.e., companies valued at more than \$1 billion) benefit from access to international capital. Meanwhile, US foreign direct investment into India has grown to \$45.9 billion as of 2019. US companies are investing in India to take advantage of India's growing domestic markets and are also attracted by a young and talented workforce. Every major US tech company operates a research center in India. Major US companies are also investing in high-end manufacturing and technical services in India.

Despite these positive developments, the United States-India economic relationship faces headwinds. It is true that people-to-people flows are achieving all-time highs, but problems with US visa processing remain, which is like sand in the gears of the relationship. The visa issues were discussed in high-level dialogues between US Secretary of State Blinken and Indian Foreign Minister Jaishankar in fall 2022, as well as between Senate Leader Schumer and Prime Minister Modi in winter 2023. However, the US State Department has been slow to address them and is focusing primarily on the student and business community, leaving first-time tourist travelers to wait nearly fifteen months for a visa interview appointment.

US-India trade is strong, and yet there is no free-trade agreement, let alone any bilateral trade agreement, between our two countries. Indeed, there is presently no forum for discussing trade matters. And although US investment into India has grown considerably in recent years, there are still multiple pain points that remain unaddressed.

Several solutions can and should be identified, but at its core the challenge of enhancing economic cooperation must involve convincing leaders in Washington and Delhi that this partnership fundamentally matters. For example, it took over two years for the Senate to confirm a US ambassador plenipotentiary to India, which only happened in March 2023. This lack of on-the-ground US leadership in Delhi set back the process of cooperation.

Leaders in Washington need to recognize that India is among our most steadfast friends, not just in the South Asia region but perhaps across all of mainland Asia. The geostrategic implications should be too important for US policymakers to ignore. Both the US and India need to be concerned about an imperialist China, which is aligning toward Russia despite the Ukraine war. Both countries need to cooperate to stem the instability in Central Asia, and it will be to both countries' detriment if we cease to be vigilant against terrorism.

The US and India have mostly decoupled economic cooperation from these larger geostrategic considerations, with the notable exception of the Indo-Pacific Economic Framework for Prosperity (IPEF).<sup>3</sup> This multilateral partnership is part of the United States' broader Indo-Pacific Strategy and is structured around four pillars: trade, supply chains, clean energy, and tax/anti-corruption issues. India serves as a founding member, although

it has refused to engage in trade discussions. Although IPEF is a promising development, it remains to be seen whether multilateral engagement to achieve strategic goals is an effective approach.

For their part, Indian officials also need to recognize the strategic importance of deeper engagement with the US. As Chinese influence expands across Asia—and especially as China consolidates control over Southeast Asia—India needs free and open maritime routes in the Indo-Pacific. The navies of both countries are working together to keep these vital trade routes independent, but it appears that Indian officials have decoupled strategic interests from economic bargaining when it comes to the US. Apart from China, India can benefit from US support as it seeks to be a leading world power.

Setting aside these geostrategic considerations, it is apparent that there is tremendous potential value in the world's most prosperous country working hand in hand with the world's most populous country, of 1.4 billion people. At a person-to-person level, Americans and Indians fundamentally like one another. They get along. Linguistic differences are becoming increasingly easy to overcome, as English is commonly a second language, and there is a natural cultural affinity between the two countries. The vibrant (and growing) diaspora communities in both countries stand testament to this fact. The Indian diaspora in the United States proved influential with political leaders in voicing its support for the passage of the US-India civil-nuclear legislation in 2008.

How can we get our respective government leaders to recognize the shared strategic interests and cultural commonalities between our two countries?

First, bilateral diplomatic engagement must be strengthened. While regional partnerships like the Quad and IPEF are worth pursuing, the US and India must continue in-person bilateral summits that started with Modi's state visit in June 2023 and saw Biden visit India for the first time as president for the G20 in September 2023. Multilateral engagements are not necessarily well suited to deepening bilateral relations. The recently confirmed US ambassador to India, Eric Garcetti, needs to lead an aggressive economic and trade agenda to pave the way for US and Indian businesses to work better together on the most pressing issues and opportunities. Garcetti must reinforce to the world that the relationship between the two countries is strong and that we are working directly together on key economic, security, and geopolitical issues.

High-level political buy-in is a necessary step in bringing our two countries closer together, but it will not be sufficient on its own. If the governments are truly going to drive the US and Indian economic relationship forward, then mid-level and low-level government-to-government engagement will also be critical. Our countries should pursue joint research and development projects across several fields, including water security, digital infrastructure, health care, and energy. It is critical that the intent of the historic 2008 US-India Civil Nuclear Agreement to provide India with the energy it needs to sustain growth is fully realized. We will need to resume regular bilateral

discussions on trade and investment with the goal of working toward a free-trade agreement. Policymakers will need to identify and execute investment initiatives that facilitate foreign direct investment into India by US companies and vice versa to create jobs and spur economic growth on both sides. We will need to establish a framework for joint maritime patrols along major shipping routes within the Indo-Pacific region to protect freedom of navigation and promote regional stability. Our respective governments will also need to pursue capacity-building programs in areas such as financial services, education, and public health to support economic development in the region.

It is sometimes said that the interests of the United States and India are naturally converging. The expectation is that our relationship will automatically deepen as our economies grow and our respective peoples increase their interactions. And no one can deny that our two countries have come closer together over the last two decades. But we also should not take this partnership for granted. For United States–India economic cooperation to achieve its full potential—and for the US-India relationship to become a trusting partnership—we need committed leadership.

## NOTES

1. G. V. Nadhanael, Subhadhra Sankaran, Shashi Kant, Kunal Priyadarshi, Garima Wahi, Ramesh Kumar Gupta, Pankaj Kumar, et al., “State of the Economy,” Reserve Bank of India, *RBI Bulletin* (January 2023), <https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/01ART1901202380BC01A60B5943FB90C180B6B41FC29A.PDF>.
2. The US accounts for sending nearly \$20B annually to India. Soumasree Tewari and Ranjeeta Mishra, “Headwinds of COVID-19 and India’s Inward Remittances,” Reserve Bank of India, *RBI Bulletin* (July 2022), [https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/05\\_AR16072022513FE9FB94B64F9E8D0F498A4C13F469.PDF](https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/05_AR16072022513FE9FB94B64F9E8D0F498A4C13F469.PDF).
3. Ambassador Katherine Tai, Indo-Pacific Economic Framework for Prosperity, <https://ustr.gov/ipef>.



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