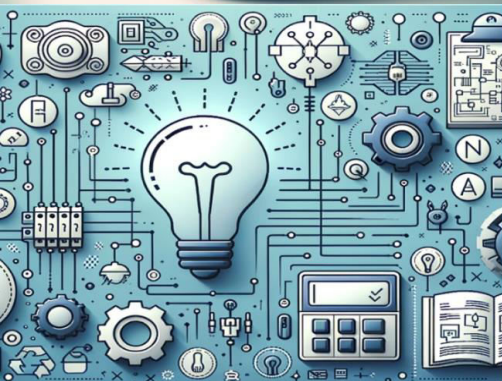


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A Critical Study of India's International Economic Relations Since 2014 with Special Reference to the US

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ABSTRACT: India's international economic relations encompass a wide range of activities, including trade, investment, and financial flows between India and other countries, as outlined in the Balance of Payments. These relations have significantly impacted India's economic growth, with foreign investment and trade agreements playing crucial roles in boosting economic development.

KEYWORDS: India's International, economic relations, US, payments

I. INTRODUCTION

Key aspects of India's international economic relations:

Foreign Direct Investment (FDI):

India has attracted significant FDI from various countries, including the US, Japan, and South Korea, leading to increased investment in sectors like manufacturing, technology, and infrastructure.

Trade Agreements:

India's participation in global trade agreements, such as the ASEAN and European Union, has opened up new markets for its goods and services, particularly in textiles, pharmaceuticals, and IT.

Technology and Knowledge Transfer:

Collaborations with technologically advanced countries have enabled the transfer of cutting-edge technologies to India, enhancing capabilities in industries like IT, aerospace, and renewable energy. [1,2,3]

Bilateral Trade:

India has seen a rapid expansion of bilateral trade with China, making it a major trading partner. However, this trade has also led to a significant trade deficit.

EU Trade:

The EU is a major trading partner and investor in India, with trade in goods increasing significantly over the past decade, according to policy.trade.ec.europa.eu.

Global Engagement:

India actively participates in international organizations like the G20, WTO, and the World Bank, playing a role in shaping global economic policies.

Economic Diplomacy:

India utilizes economic diplomacy to promote trade, investment, and cultural exchange with other countries.

Impact on India's Economy:

Economic Growth:

International economic relations have played a crucial role in accelerating India's economic growth by facilitating access to global markets, attracting foreign investment, and promoting technology transfer.



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Job Creation:

FDI and expansion of trade have led to the creation of new jobs and improved the industrial base of the country. [4,5,6]

Global Value Chains:

India has become a significant player in global value chains, particularly in services exports, remittances, and capital inflows.

Challenges:

Trade Deficit:

India faces a significant trade deficit with some countries, notably China, which needs to be addressed through trade diversification and policy adjustments.

Global Economic Instability:

India's economy is susceptible to global economic shocks and uncertainties, requiring proactive measures to mitigate risks and maintain stability.

Overall, India's international economic relations are a vital component of its economic development, offering opportunities for growth, innovation, and global engagement.

II. DISCUSSION

Since 2014, India's international economic relations have seen significant growth and diversification, with the US-India partnership taking center stage. Key areas of focus include trade and investment, technology collaboration, and infrastructure development, driven by initiatives like the \$500 billion trade goal and the US-India Infrastructure Collaboration Platform.

Key Developments:

Trade and Investment:

The US-India trade relationship has grown substantially, with the two countries aiming for a \$500 billion trade target. This has been supported by initiatives like the bilateral Investment Initiative, which aims to facilitate FDI and infrastructure financing. [7,8,9]

Technology Collaboration:

The US-India Initiative on Critical and Emerging Technology (iCET) and the US-India Strategic Trade Dialogue highlight the growing importance of technology in the bilateral relationship. This includes areas like artificial intelligence, cybersecurity, and clean energy.

Infrastructure Development:

The US-India Infrastructure Collaboration Platform aims to leverage US technology and expertise to address India's infrastructure needs, particularly in areas like smart cities and transportation.

Beyond the US:

While the US-India relationship is a key focus, India's economic diplomacy has also expanded to other regions and countries, seeking trade and investment opportunities, according to a report from the Brookings Institution.

Defense Cooperation:

The defense relationship, designated as a Major Defense Partnership, has also seen significant progress, with India increasingly relying on the US for defense equipment and technology.

In the foreign policy arena the biggest accomplishment of the Narendra Modi government has doubtless been the evolution of relations with the United States. During his first year Prime Minister Modi has almost single-handedly repaired, revived, revitalized, and re-energized relations with the United States from one that was either hopelessly adrift or, worse, at a real risk of becoming deeply confrontational. While credit for this dramatic improvement in relations between New Delhi and Washington is also due to President Barack Obama – who responded positively to Mr. Modi's initiative – make no mistake that the principal driver was Mr. Modi.[10,11,12]



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A year ago, apart from the visa ban on Mr. Modi, the dust up over the ineptly handled arrest of an Indian diplomat, and seemingly irreconcilable differences over operationalizing the landmark India-U.S. nuclear deal, India and the U.S. were at logger heads over World Trade Organization (WTO) negotiations, intellectual property rights (IPR), and geopolitical differences over Russia, Iran, Syria and India's membership of export control regimes. A year, two summits (in less than six months) plus a historic Republic Day visit later, many of these issues were resolved or put in abeyance and India-U.S. relations are not only on an even keel but have moved to a quasi alliance status with many observers describing it as clear proof of India's 'tilt' towards the U.S.

In sum, the India-U.S. relationship is probably at its strongest than in anytime in their history. Nonetheless, work needs to be done to ensure a stable relationship that is resistant to internal and external shocks. While progress has been made on many issues, particularly trade, cyber and the Asia-Pacific – evidently because of the close relationship between the two leaders – many other issues, especially climate and IPR, have the potential to rock the bilateral boat and derail cooperation on issues of mutual interest.

III. PROGRESS AND OPPORTUNITIES

On November 13, 2014, India and the U.S. finally came up with a resolution to their ongoing dispute over agricultural stockpiles maintained for food security and paved the way for signing of the Trade Facilitation Agreement (TFA). The key was the U.S. agreement to extend the time limit for the so-called "peace clause" indefinitely until a permanent solution is found to the issue of farm subsidies. While the final implementation of the TFA is still being worked on, the resolution of this impasse significantly altered U.S.-India relations for the better.

The need to deepen engagement on cyber security was a common theme in India-U.S. interactions. With India having the third largest population of online users and adding six million internet users every month, increasing reliance on internet makes the country vulnerable to cyber crime and warfare. For example, India was among the biggest victims of GhostNet, a global cyber espionage campaign that targeted governmental, research and military organizations. The January 2015 joint U.S.-India statement stressed the "serious risks to national and economic security from malicious cyber-activity and agreed to cooperate on enhancing operational sharing of cyber threat information, ... and working together to build agreement on norms of responsible state behavior." Clearly, while the U.S. can benefit from India's human enterprise and scientific talent, India can benefit from cutting edge technology and scientific knowledge on cyber security in the U.S.[13,14,15]

Another area of growing cooperation is the Asia-Pacific and Indian Ocean region. The Obama administration has clearly indicated that the rebranding of India's "Look East Policy" to "Act East Policy" is a welcome development (in line with its own rebalancing to Asia-Pacific) and that the U.S. hopes to work with India in building sustainable relationships in the region. Despite reservations in the Indian government, Mr. Modi chose to accept the U.S. offer of partnership, signaling the importance of the Indian Ocean for India's prosperity and security. This desire was evident in the US-India Joint Strategic Vision for the Asia Pacific and Indian Ocean Region, which calls for India's membership of the Asia-Pacific Economic Cooperation forum, a greater role for the East Asia Summit and a need to resolve disputes through peaceful means. To secure their maritime interests the two sides also announced a working group to explore sharing aircraft carrier technology and design.

Potential Hurdles

The issue of Intellectual Property Rights (IPRs) has historically been a contentious one in the bilateral relationship. While the U.S. has claimed for several years that the Indian regulatory regime is weak, inadequately enforced and harmed U.S. business interests in several IPR domains, India has maintained that all its IPR-related laws are compliant with WTO norms. Therefore, before the Modi-Obama Summit in September 2014, the two countries were largely antagonistic towards each other on this issue. However, the past year has seen considerable effort being put into resolving all outstanding bilateral IPR issues. The formation of the high-level joint working group to address all IPR related issues and the establishment of a think tank by the Indian government to review IPR laws and regulations have been significant steps in this regard. However, it remains to be seen whether the two sides can stay committed and carry forward the implementation of these negotiations.[16,17,18]

Climate change is both an area of contestation and possible future cooperation between and U.S. and India. In the January 2015 joint statement both sides expressed deep concern regarding climate change and reiterated the need to



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enhance bilateral cooperation in the realms of research, development and technology innovation, adoption and diffusion measures for clean energy and efficiency solutions. They also highlighted the importance of working together with other countries to conclude the ambitious climate agreement in December in Paris. However, the U.S. has refused to accept an insertion to the statement that the Paris agreement would be under the existing UN Convention on Climate Change, following the principle of common but differentiated responsibilities and the principle of equity. Consequently, the disagreement continues and threatens to jeopardise the Paris meeting unless a via media can be found.

Mr. Modi has renewed the promise of better India-U.S. relations; delivering on it remains a challenge.

IV. RESULTS

India–United States relations have improved significantly during the Premiership of Narendra Modi since 2014.[133] At present, India and the US share an extensive and expanding cultural, strategic, military, and economic relationship[134][135][136] which is in the phase of implementing confidence building measures (CBM) to overcome the legacy of trust deficit – brought about by adversarial US foreign policies[137][138] and multiple instances of technology denial[139][140][141] – which have plagued the relationship over several decades.[142]

Key recent developments include the rapid growth of India's economy, closer ties between the Indian and American industries especially in the Information and communications technology (ICT), engineering and medical sectors, an informal entente to manage an increasingly assertive China, robust cooperation on counter-terrorism, the deterioration of U.S.-Pakistan relations, easing of export controls over dual-use goods & technologies (99% of licenses applied for are now approved),[143] and reversal of long-standing American opposition to India's strategic program.

Income creation in the USA through knowledge-based employment by Asian Indians has outpaced every other ethnic group according to U.S. Census data.[144] Growing financial and political clout of the affluent Asian Indian diaspora is noteworthy. Indian American households are the most prosperous in the US with a median revenue of US\$100,000 and are followed by Chinese Americans at US\$65,000. The average household revenue in the USA is US\$63,000.[145] The political influence of the large Indian-American community is reflected in the largest country-specific caucus in the United States Congress,[146] while between 2009 and 2010 more than 100,000 Indian students attended American colleges and universities.[17,18,19]

The 2014 State Department's annual Trafficking in Persons (TIP) report appeared to classify the Khobragade incident as an example of human trafficking, stating: "An Indian consular officer at the New York consulate was indicted in December 2013 for visa fraud related to her alleged exploitation of an Indian domestic worker." [148] In response, India has shown no urgency to allow visits to India by the newly appointed US anti-human trafficking ambassador Susan P. Coppedge and the US special envoy for LGBT rights Randy Berry. Under Section 377 of the Indian Penal Code homosexuality was illegal in India. Indian Ambassador to the US, Arun K. Singh reiterated India's commitment to work within an international framework to tackle the problem of trafficking but rejected any "unilateral assessments" by another country saying "We will never accept it" and downplayed the importance of the visits: "When you ask a U.S. official when somebody will be given a visa, they always say 'we will assess when visa is applied for.' ... I can do no better than to reiterate the U.S. position." [149]

In February 2016, the Obama administration notified the US Congress that it intended to provide Pakistan eight nuclear-capable F-16 fighters and assorted military goods including eight AN/APG-68(V)9 airborne radars and eight ALQ-211(V)9 electronic warfare suites[150][151] despite strong reservations from US lawmakers regarding the transfer of any nuclear weapons capable platforms to Pakistan.[152] The Indian Government summoned the US Ambassador to India to convey its disapproval regarding the sale of F-16 fighter jets to Pakistan

V. CONCLUSION

India's largest outgoing investments are in the manufacturing sector, which accounts for 54.8 percent of the country's foreign investments. The second largest are in non-financial services (software development), accounting for 35.4 percent of investments. According to the data of the commerce ministry, in 2021–22, bilateral trade in goods between the two countries crossed \$119.42 billion. Exports to the US increased to \$76.11 billion in 2021-22 from \$51.62 billion



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in previous fiscal year, while imports rose to \$43.31 billion as compared to about \$29 billion in 2020–21.[217] Tensions arose in 2025 as U.S. President Donald Trump imposed tariffs on Indian goods, particularly pharmaceuticals, prompting negotiations to mitigate economic impacts.[218][219][220] Nearly half of all generic drugs in the U.S. came from India, with Indian generics saving \$219 billion in healthcare costs in 2022 alone.[20]

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