

Will Indo-US Economic Ties Improve Under Biden Presidency?

India also needs to work continuously to improve its regulatory regime and other reforms so that India's trade and businesses with US are able to grow under Biden.

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16 November, 2020 by Dr Harivansh Chaturvedi , Anuj Sharma

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Despite very good relationship between Prime Minister [Narendra Modi](#) and Donald Trump, one area where the two countries failed to bridge the gap was trade. During the election speeches, Biden had advocated closer relationship between India and US. Biden has also taken serious objection to the remarks of Trump, in their last Presidential debate, that air in India is "filthy" and mentioned that this is not the way we talk about friends. He also mentioned that Obama-Biden years were best for Indo-US relationship and Biden-Harris administration will improve upon it and do even more. Now, since the election is over, it is required to be seen whether election speeches will translate into action and Biden Administration will be better for India than Trump or not.

Biden has sharply criticized Trump's policies of off-shoring and overseas investment. Trump's "America First" has also come under lot of fire as this has resulted in America exiting the global stage and strained partnerships with other major economies of the world like Europe, Japan and South Korea. Biden on the other hand initiated "Buy America" campaign and he in his campaign mentioned "Made in all of America by all of American workers", where he envisions that with smart investment in

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manufacturing and technology coupled with American innovation, many of the products that are being imported specially from China can be made in America. India needs to find ways for filling the space that might emerge as Biden Administration might continue the Trump's policy of economic distancing from China.

America traditionally has remained India's important trade partner. So far this year (April-August 2020) US is India's second largest trading partner at \$ 26.6 billion after China at \$ 30.5 billion. However, India maintains trade surplus with US (\$ 17.3 billion in FY 20) whereas it runs into trade deficit with China (\$ 48.7 billion in FY 20). US has been India's largest trade partner in FY 19 and FY 20. However, the Free Trade Agreement (FTA) proposed during Trump's regime which was supposed to be preceded by mini trade deal, is unlikely to be finalized soon under Biden Administration. It is expected that both countries will engage again in series of discussions and US is likely to toe the similar line as taken by Trump to protect US economy.

As an early confidence building measure, Biden Administration might restore Generalized System of Preference (GSP) scheme, withdrawn by Trump in 2019, for India. Under GSP scheme, Indian goods exported to US have been receiving benefits of zero duty or concessional rates of duty. India recently has been demanding 100 percent restoration of benefits under GSP scheme, duty concessions for farm products like mangoes, pomegranates and grapes and has also asked for reduction of high tariffs on certain steel and aluminium products. On the other hand, US has been demanding reduction on duties for apples, peanuts, walnuts, almond and soya bean and market access for medical devices, lower duties for ICT (information and communication technology) products, dairy and poultry products. Under Biden Administration, it is unlikely that significant progress will happen immediately but if both sides move forward with the spirit of conciliation, India is likely to achieve favourable results within next two years.

With Biden Administration assuming power in White House, Trans-Pacific Partnership (TPP) agreement is also likely to get priority. TPP trade deal was negotiated under Obama regime but was rejected by Trump Administration. TPP included 12 nations under which US has proposed duty free market access for products like garments to member countries which also includes Vietnam, one of India's biggest competitor in trade. If US decides to re-enter the trade bloc, then India will also be under pressure to do the trade pact with US or join the block. In past India has rejected TPP, as TPP member countries wanted to put in place IPR regime and digital economy to which India was not agreeable and instead pursued Regional Comprehensive Economic Partnership (RCEP). India, however moved out of RCEP last year as it was felt that India will be conceding more than what it would get from it.

In contrast to Trump, it is likely that Biden Administration will soften its stand on Iran and some of the sanctions might be lifted. This will be beneficial for India's economic and trade relations with Iran. India will be able to buy oil from Iran and sell pharma and other products. India will also be able to invest in oil and other infrastructure related projects including the rail projects in which India has been interested, not only from business but also from strategic perspective.

With Biden at the helm, multilateralism is likely to be impacted positively. Democrats in US traditionally have been supporter of multilateralism, it was only under Trump that multilateralism took back seat and nationalism became prominent. International institutions like WTO which have become defunct under Trump are likely to get new lease of life. Biden has already announced its return to Paris Climate agreement and World Health Organisation (WHO). Revival of these institutions is likely to raise international trade standards and make dispute settlement mechanism on trade related matters among nations more smooth and effective.

Indian IT industry which works in close coordination with US counterparts (according to NASSCOM, Indian IT industry works with three-quarter of [Fortune](#) 500 Companies in US) and accounts for 50-60 percent of their revenue, are likely to be benefitted. Immigration rules under Biden Administration are likely to become stable and fair. IT Industry is pinning high hopes under new regime as it is felt that Harris being from Silicon Valley understands the needs of IT industry well.

It is quite evident that in certain areas like Indian IT industry and economic relations with Iran, India stands at advantageous position under Biden, however in areas of mutual trade or trade agreement with US, benefits under new regime might not come immediately but a cautious approach is required. However, there is a hope that approach of Biden towards India has been positive in the past and he has earlier mentioned that India and US have to play a pivotal role in making the world stable and safe. Industry also has a hope that Biden Administration will honour \$ 500 billion trade target set under Obama regime. India also needs to work continuously to improve its regulatory regime and other reforms so that India's trade and businesses with US are able to grow under Biden.

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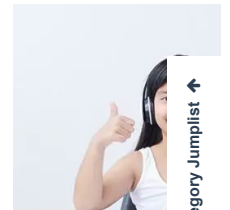
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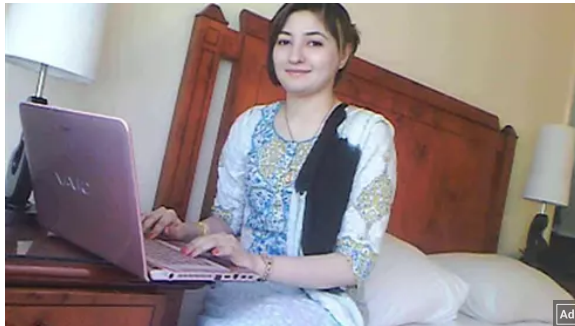
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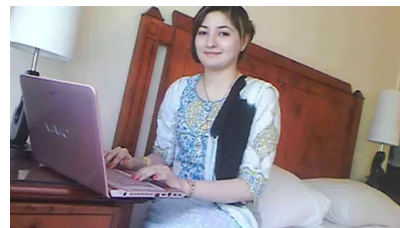
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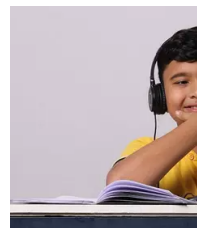
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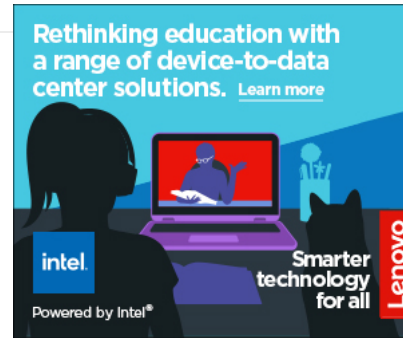
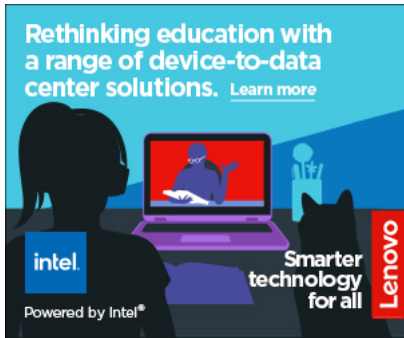
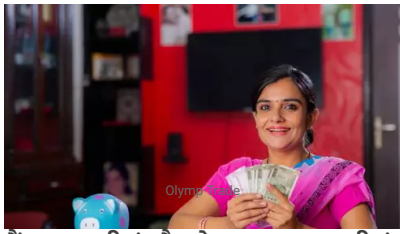
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