



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 9th 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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