

# Testimony before the U.S.-China Economic and Security Review Commission

Hearing on

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Chairman Wong and Vice-Chair Glas, hearing Co-chairs Commissioner Bartholomew and Commissioner Schriver, other distinguished members of the commission and staff, thank you for the opportunity to appear before you today to share my thoughts on China’s economic ties with India. Today, my remarks will focus on the overall bilateral trade relationship between India and China, what steps the Modi government has taken to reduce India’s trade deficit with China, and what is driving the Modi government’s stance towards China. Finally, I will discuss what opportunities there are for U.S. companies, and some recommendations for policymakers.

- 1. Describe the most important components of China-India trade and investment relations. In what economic sectors is India’s reliance on China the greatest? Conversely, are there any sectors or areas where India is able to exercise economic leverage over China?**

Before getting into the specifics, there are a few points I would like to make. First, the India-China trade and investment relationship is fairly one-sided in favor of China, a fact which greatly concerns the Modi government, and is the framework for understanding India’s actions on trade. Second, the trade deficit with China is recognized as a strategic, economic, and political problem for the Modi government, which is determined to wean itself off of India’s reliance on China, but is finding it difficult to do. Third, unfortunately, when India develops policies that seek to reduce that reliance, these policies tend to be protectionist, which also wind up hurting U.S. interests.

With that broader framework in mind, here is a quick snapshot of the India-China trade relationship. Trade and investment between India and China is consistently skewed in favor of China, with the Indian government concerned about the growing trade imbalance, and taking steps to both increase exports to China, while limiting Chinese exports to India. In the 2015-16 fiscal year (the first full fiscal year under the Modi government), India’s trade deficit with China stood at \$52.68 billion<sup>1</sup>, reaching \$63.05 billion in 2017-18<sup>2</sup>, before declining to \$44.02 billion<sup>3</sup> in the 2020-21 fiscal year. According to data from India’s Ministry of Commerce and Industry,

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<sup>1</sup> “India’s trade deficit with China jumps to \$53 billion in 2015-16,” *The Economic Times*, August 1, 2016, <https://economictimes.indiatimes.com/blogs/et-commentary/indias-trade-deficit-with-china-jumps-to-53-billion-in-2015-16/>

<sup>2</sup> “India-China Trade Deficit,” *Press Information Bureau*, February 7, 2020, <https://pib.gov.in/newsite/PrintRelease.aspx?relid=199141>

<sup>3</sup> “India’s Chinese imports slip 7.2% to \$65.21 bn in 2020-21; exports up 26%,” *Business Standard*, March 25, 2022, [https://www.business-standard.com/article/economy-policy/india-s-chinese-imports-slip-7-2-to-65-21-bn-in-2020-21-exports-up-26-122032500774\\_1.html](https://www.business-standard.com/article/economy-policy/india-s-chinese-imports-slip-7-2-to-65-21-bn-in-2020-21-exports-up-26-122032500774_1.html)

the trade deficit between April 2021 and February 2022 already stands at \$65.34 billion.<sup>4</sup> India's fiscal year is from April 1 until March 31<sup>st</sup>.

Electrical machinery and equipment<sup>5</sup> dominate India-China trade, and is a key reason why India has sought to boost its electronics manufacturing capabilities through various policies and schemes, as well as through increasing customs duties in the annual budget. Beyond this, India's largest imports from China are chemicals (that are typically used by industries), active pharmaceutical ingredients (API), auto components, and finally, medical supplies. India also imports a range of finished products from China, including integrated circuits, laptops and computers, as well as oxygen concentrators. The challenge here is that India's reliance on finished goods from China has benefited India tremendously; India's mobile phone revolution could not have happened without imports from China, nor could the India's increasing use of solar energy. On mobile phones, Chinese smartphone brands account for about 75%<sup>6</sup> of India's smartphone market last year, with Xiaomi Corp taking the lead as India's top smartphone seller, with approximately a 27% market share. Samsung is the number 2 brand, with approximately a 21% share. Though domestic manufacturing of cellphones has increased, India is still heavily reliant on imports from China.

Active pharmaceutical ingredients is another sector where India is concerned that geopolitical tensions with China could put pressure on India's pharmaceutical sector. According to various estimates, about 65-70% of all APIs<sup>7</sup> are sourced from China, which are critical for India's antibiotics and vitamins, and India does not have an alternative source for meeting the size of its API requirements. If China were to stop exports, it would put pressure on the Indian economy.

For India, the growing trade imbalance represents both an economic concern, as well as a political concern, as they believe that the Chinese government is putting up various regulatory and non-tariff barriers that impede the ability of Indian firms to compete in China. India exports raw materials to China, such as iron ore and metals, but it imports a lot of finished and value-added products. Furthermore, some of India's key demands have remain unaddressed in trade negotiations with China; one of the reasons that India withdrew from the Regional Comprehensive Economic Partnership (RCEP) negotiations, was because it felt it was not getting fair and reciprocal market access with China. India has sought greater market access for its pharmaceutical products, sugar, rice, and dairy industries, as well as its services industry.

India has relatively few tools in its belt that can put pressure on the Chinese economy, but its biggest weapon is access to the Indian economy. India knows that Chinese firms would like to invest and grow in India. It has sought to make it more difficult for Chinese companies to do

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<sup>4</sup> Pia Krishnankutty, "The long road to Atmanirbhar Bharat: India's trade deficit with China hit record \$77bn in FY22," *ThePrint*, April 25, 2022, <https://theprint.in/economy/the-long-road-to-atmanirbhar-bharat-indias-trade-deficit-with-china-hit-record-77-bn-in-fy22/926987/>

<sup>5</sup> "China and India Trade," <https://oec.world/en/profile/bilateral-country/chn/partner/ind>

<sup>6</sup> "Chinese smartphone brands expanded India market share in 2020 – report," *Reuters*, January 27, 2021, <https://www.reuters.com/article/india-smartphones/chinese-smartphone-brands-expanded-india-market-share-in-2020-report-idUSKBN29W1X3>

<sup>7</sup> Sandeep Soni, "Despite being world's pharmacy, why Indian pharma is dependent on China for bulk drugs," *Financial Express*, December 22, 2021, <https://www.financialexpress.com/industry/sme/msme-eodb-despite-being-worlds-pharmacy-why-indian-pharma-is-dependent-on-china-for-bulk-drugs/2386143/>

business in India or exclude them from various tenders, such as the ongoing 5G trials. India's ability to exert pressure on Chinese companies is growing as India has developed innovative new ways to block them from the Indian market. One recent example is when India decided to ban TikTok and WeChat; for TikTok, it was reported that this would cause a loss of about \$6 billion<sup>8</sup>, and the ban derailed TikTok's immediate plans for an IPO, while setting a precedent for other countries to follow. A similar situation occurred when India began sending signals that Huawei would not be allowed to participate in 5G trials; Huawei reduced its staff<sup>9</sup> in India under the expectation that demand for its products in India would decrease.

**2. Describe the effects of recent border tensions on India's economic relations with China. What forms of economic restrictions has India placed on China, and what additional measures could it take?**

Since coming to power in 2014, unease with China's growing aspirations has driven India's China policy. Though India has sought to cooperate with China in various domains, tensions have simmered below the surface. For example: India sought China's support for entry into the Nuclear Suppliers' Group, but China refused, citing the need to grant Pakistan entry as well. India, for its part, has increasingly implemented a range of policies to protect the Indian economy from being too reliant on Chinese imports and investments, which has agitated China. In successive budgets, India raised customs duties on dozens of projects and expanded local content rules in an attempt to develop domestic manufacturing and to lessen the economic dependence on China. India's concern about the trade deficit with China was one of the driving factors behind India's withdrawal from the Regional Comprehensive Economic Partnership negotiations in 2019, as India believed that it was not getting fair access to the Chinese market.

Since the beginning of the Covid-19 pandemic, India has introduced new rules<sup>10</sup> mandating that all investments coming from countries that share a land border with India are now subject to review by the Department for Promotion of Industrial and Internal Trade as well as the relevant ministry or department of the government of India that has primary responsibility for the relevant sector. The law was introduced after China's central bank bought a 1% stake in an Indian bank<sup>11</sup>, Housing Development Finance Corporation. India also feared that Chinese companies could use the crash in the stock market as an opportunity to increase stakes in Indian companies at a discounted price.

India's policies towards China have become increasingly more aggressive following the Galwan Valley clash on the Line of Actual Control in June 2020, where 20 Indian soldiers lost their lives

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<sup>8</sup> "TikTok predicts over \$6bn loss from India's ban: Report," *Economic Times*, July 3, 2020, <https://economictimes.indiatimes.com/tech/internet/tiktok-predicts-over-6-bn-loss-from-indias-ban-report/articleshow/76773061.cms>

<sup>9</sup> Danish Khan, "Falling telecom business triggers layoffs at Huawei India, company slashes revenue target for 2020," *ET Telecom*, July 27, 2020, <https://telecom.economictimes.indiatimes.com/news/falling-telecom-business-triggers-layoffs-at-huawei-india-company-slashes-revenue-target-for-2020/77183960>

<sup>10</sup> Department for Promotion of Industry and Internal Trade Consolidated FDI Policy, Effective from October 15, 2020

<sup>11</sup> Rajesh Mascarenhas, "China's central bank buys 1% stake in HDFC," *Economic Times*, April 13, 2020, <https://economictimes.indiatimes.com/markets/stocks/news/chinas-central-bank-holds-1-stake-in-hdfc/articleshow/75104998.cms?from=mdr>

as did an unknown number of Chinese troops. One of India's first actions was to ban various Chinese mobile applications. The first set of bans came in June 2020 when India decided to ban TikTok, WeChat and 57 other Chinese mobile applications<sup>12</sup>, owing to national security considerations. India followed this with more mobile application bans in September and November 2020, and in February 2022, India banned another 54 mobile applications<sup>13</sup> that have Chinese links, including the Free Fire mobile game, which is owned by Singapore-based Sea Ltd., but Sea counts Tencent as one of its major investors. In total, India has banned 321 mobile applications under national security considerations.

Beyond the mobile application bans, India also banned the import of power equipment from China, and has sought to reduce Chinese presence in telecom infrastructure. India's state-owned telecom company, Bharat Sanchar Nigam Limited (BSNL) sourced about 44% of its mobile network equipment from ZTE, while 9% was sourced from Huawei.<sup>14</sup> After the clashes though, BSNL re-issued a 4G tender that excluded companies that originate from countries that share a border with India from participating in the tender, effectively excluding Huawei and ZTE. Similarly, Bharti Airtel and Vodafone Idea, which had extensively used Huawei equipment in their 3G and 4G network rollout, signaled that they were not longer going to use Huawei's equipment in their 5G trials. Finally, in May 2021, India's Department of Telecommunications introduced a list of approved vendors for India's 5G trials, leaving Huawei and ZTE off of the list.<sup>15</sup>

Each time China pushes India on the Line of Actual Control, India retaliates with economic measures. These measures have been either the mobile application bans or increased tariffs on Chinese-origin products. India also retaliates when it feels that it is treated unequally; for example, the government recently decided to suspend tourist visas<sup>16</sup> for Chinese nationals, as China has yet to allow Indian students enrolled in Chinese universities to return for physical classes. If there is another flare-up on the border, India is likely to impose more restrictions on Chinese investment into India by refusing to approve investments made from either China or Hong Kong, or excluding Chinese companies from public tenders. Similarly, there are likely to be more mobile application bans in the future.

### **3. How do Indian policymakers view economic relations with China as creating risks to India's national security? Are there moves in India to actively move, change, or secure certain supply chains? To what extent is any sort of "decoupling" viewed as desirable or feasible?**

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<sup>12</sup> Maria Abi-Habib, "India bans TikTok, WeChat and Dozens of Other Chinese Apps," *New York Times*, June 29, 2020, <https://www.nytimes.com/2020/06/29/world/asia/tik-tok-banned-india-china.html>

<sup>13</sup> "India Adds 54 More Chinese Apps to Ban List; Sea Says It Complies With Laws," *Reuters*, February 15, 2022, <https://www.reuters.com/world/india/sea-owned-game-free-fire-unavailable-india-after-ban-chinese-apps-2022-02-15/>

<sup>14</sup> "BSNL's 44% mobile network equipment from ZTE, 9% from Huawei," *The Indian Express*, September 17, 2020, <https://indianexpress.com/article/business/companies/bsnl-44-per-cent-mobile-network-equipment-from-zte-9-per-cent-from-huawei-6599954/>

<sup>15</sup> "Huawei and ZTE left out of India's 5G trials," *BBC*, May 5, 2021, <https://www.bbc.com/news/business-56990236>

<sup>16</sup> "India Suspends Tourist Visas For Chinese Citizens As Payback: Report," *NDTV*, April 25, 2022, <https://www.ndtv.com/india-news/india-suspends-tourist-visas-issued-to-chinese-nationals-iata-2915119>

With border tensions continuing, Indian leaders at the highest levels believe that the widening trade deficit with China is not only an economic issue, but a political and national security issue. They do not seek to completely decouple from China – that is not practical --- but they do recognize that India needs to take steps to protect strategic sectors from Chinese influence, secure its critical supply chains, and use government policy to boost self-reliance, exports, and foreign investments.

National security is constantly at the top of mind of Indian policymakers, and the heavy reliance on China is of particular concern. At the onset of the pandemic, these concerns were crystalized, especially when Wuhan shut down, as India’s pharmaceutical industry is dependent on China for sourcing of APIs. For India, this exposed a key national security issue: if geopolitical tensions with China continue to spike, China could stop exporting critical products to India, putting pressure on the Indian economy. This is one of the main drivers of India’s focus on self-sufficiency and import substitution.

In response to the pandemic, Indian policymakers have begun advocating for a concept entitled *atmanirbhar bharat*, which translates to self-reliance. Though the concept of self-sufficiency has been a part of Indian history, the idea of *atmanirbhar bharat* represents the government’s latest attempts to attract manufacturing to India.

Throughout Modi’s first-term, the slogan “Make in India” was widely used, as the government sought to present itself as a partner to the private sector in order to encourage manufacturers to relocate part of their supply chains to India. However, manufacturing did not grow at the scale that the government expected it to, but Indian policymakers realize that both trade tensions between the U.S. and China, as well as the Covid-19 pandemic present India with a unique opportunity to attract some of the shifting supply chains.

In March 2020, policymakers introduced the first production-linked incentive (PLI) schemes<sup>17</sup> for key starting materials/drug intermediates/active pharmaceutical ingredients, large scale electronics manufacturing, and medical devices. Buoyed by the success of these schemes, in November 2020, the government introduced schemes for electronic/technology products, pharmaceutical drugs, telecom & networking products, food products, white goods (ACs & LED), high-efficiency solar PV modules, automobiles & auto components, advance chemistry cell battery, textile products, and specialty steel. Finally, in September 2021, the government introduced a PLI scheme for drones and drone components. The PLI schemes provide eligible manufacturing companies with incentives ranging from four to six percent on incremental sales over the base year of 2019-20. Overall, the government has allocated approximately \$26.48 billion for these schemes. The sectors chosen are sectors where the government believes that India can have a competitive advantage and attract some manufacturing away from China.

There are some indicators that the schemes are going to be successful. Companies such as Foxconn Hon Hai, Wistron, Pegatron, Nokia India, and others have increased manufacturing in India to take advantage of the PLI scheme.

To complement the PLI schemes, the government has embraced a new attitude towards trade. Since coming to power in 2014, the government has frequently raised customs duties, withdrawn from and paused trade negotiations, primarily due to concerns about Chinese trade practices and

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<sup>17</sup> Invest India, Production Linked Incentive (PLI) Schemes in India, <https://www.investindia.gov.in/production-linked-incentives-schemes-india>

India's trade deficit with China. However, this year, the government has successfully concluded negotiations with the United Arab Emirates on a trade deal, completed a phase 1 deal with Australia, and is in talks with the United Kingdom and Israel. Furthermore, after a gap of 8 years, negotiations with the European Union are set to restart, and Canada is also another potential trade partner.

**4. Aside from ongoing border tensions and national security concerns, how are Indian views on economic relations with China changing, and what drives these changes? To what extent do views differ in India among different sectors of society (such as the business community and the government), different regions of the country, or different political parties? Are there any sectors where India views further integration as desirable?**

There is a difference between the political class and the business community. For the political class, China is India's greatest geopolitical threat, supplanting Pakistan. Under Prime Minister Narendra Modi, India has taken more of a confrontational stance towards China, recognizing that China's larger geopolitical aspirations will pose a challenge to India. Though Modi believed he could work together with China in his first term, those aspirations slowly changed, and after the border standoff between Indian and Chinese troops on the Doklam plateau in 2017, the deterioration of the relationship accelerated. Though there were efforts to try to "reset" the relationship through two informal summits, the first in Wuhan in 2018 and then a second in Mamallapuram in 2019, the Galwan Valley clash in 2020, has chilled the political relationship even further. From India's perspective, there can be no normalization of ties until the border issue is settled, as Indian policymakers believe that China has violated every agreement that governs conduct on the border. When Chinese Foreign Minister Wang Yi visited India in March 2022, he was met with a frosty reception, as Indian Foreign Minister S Jaishankar made it clear that the onus is on China to take steps to restore ties.

There is bipartisan consensus within India that China is a major national security threat and that China's global ambitions could hamper India's rise as well. The Congress party, which has ruled India for most of the post-independence period, has used the current border situation to attack Prime Minister Modi for being "scared to call out China for its aggressions," and that Modi had failed in guarding India's security and sovereignty, while also accusing the ruling Bharatiya Janata Party as being the "Beijing Janata Party."<sup>18</sup> Though this is politics, it points to the how the discourse in India has shifted post-Galwan, where political parties are using the current border crisis to attack the ruling party. Furthermore, one popular phrase used by the opposition is that "Make in India is now Buy from China," signaling that the growing trade deficit with China, when combined with the limited growth in the manufacturing sector, as well as the relatively high unemployment rate in India, is entering into mainstream political discourse.

For businesses though, the situation is much different. While national security typically dominates India's economic policy and the political relationship remains cool, economically, despite India's efforts to impose restrictions on Chinese goods, trade in goods continues to flourish. In 2021,

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<sup>18</sup> Shemin Joy, "'Make in India' is now 'Buy from China', BJP is Beijing Janata Party: Congress," *Deccan Herald*, February 4, 2022, <https://www.deccanherald.com/national/national-politics/make-in-india-is-now-buy-from-china-bjp-is-beijing-janata-party-congress-1078009.html>

bilateral trade between India and China crossed \$100 billion for the first time<sup>19</sup>, driven primarily by electronic products, chemicals and auto components. India's imports from China were estimated to be about \$97.5 billion<sup>20</sup>, while Indian exports to China crossed \$20 billion<sup>21</sup> for the first time. The trade imbalance continues though, and highlights that despite the plethora of measures the government of India has taken, businesses still rely on China for intermediate and finished products.

The business community was also apprehensive after the government introduced the policy that restricted investments from countries that share a land border with India. India's start-up sector was once heavy reliant on financing from Chinese entities, and at one point, 18 out of 30 Indian unicorns (startups valued at over \$1 billion) had some Chinese financing.<sup>22</sup> This came about for a three reasons: first, domestic venture capital firms are a relatively recent concept in India, so start-ups were unable to obtain financing. Second, Chinese investors were patient, especially as breaking into the Indian market presented a huge strategic opportunity, and they were willing to wait to access the market. And finally, as regulatory clampdowns happened in China, fintech companies looked to India for more opportunities.

However, these fears have proven to be unfounded, due in large part to Chinese policy actions, including stopping Ant Group's IPO, announcing a probe into Didi, and forcing AliPay to breakup – these actions have led foreign investors to look for other markets, and India has been the main beneficiary. According to the Asian Venture Capital Journal<sup>23</sup>, for every \$1 invested into Chinese tech in the third quarter last year, \$1.50 went to Indian startups. Investors from the U.S., UK, and Japan are looking closely at India, and in 2021, 44 start-ups reached unicorn status in India<sup>24</sup>, with many receiving financing from U.S. investors, suggesting that some of the greatest beneficiaries of the crackdown on Chinese venture capital funding have been U.S. investors and corporates. So fears about a financing gap have proven to be unfounded.

##### **5. How have economic tensions with China affected India's approach to its economic relations with other countries, including the United States? What challenges and opportunities does this create for the U.S. government, U.S. firms, and U.S. workers?**

India's economic and geopolitical tensions with China have for the most part, caused India to focus on developing its own domestic manufacturing capabilities. In successive budgets, the government has raised customs duties, primarily to combat the rising trade deficit with China, but also, to build domestic capabilities. India's actions have often had spillover effects, which have affected U.S. companies. For example, when India raised tariffs on electronic goods, though this action was aimed at China, it affected companies such as Apple and HP. Similarly, India's decision to ban

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<sup>19</sup> Karunjit Singh, "Amid bilateral chill, India-China trade marks record surge in 2021," *Indian Express*, January 26, 2022, <https://indianexpress.com/article/business/economy/amid-bilateral-chill-india-china-trade-marks-record-surge-in-2021-7741805/>

<sup>20</sup> IBID

<sup>21</sup> IBID

<sup>22</sup> Ananya Bhattacharya, "India's startup ecosystem doesn't need China," *Quartz*, November 16, 2021, <https://qz.com/india/2090203/do-indias-startups-need-chinese-vc-funding/>

<sup>23</sup> Benjamin Parkin and Mercedes Ruehl, "Investors pivot to India after China's tech crackdown," *Financial Times*, November 16, 2021, <https://www.ft.com/content/24596573-96f5-406d-82cf-4da1d02f98df>

<sup>24</sup> Invest India, "Indian Startups turned Unicorns in 2021," <https://www.investindia.gov.in/indian-unicorn-landscape#:~:text=Indian%20Startups%20turned%20Unicorns%20in,as%20unicorn%20headquarters%20in%202021>

Chinese mobile applications has caused challenges for U.S. companies operating mobile application market places (such as Google or Apple). We have also seen India punish companies for storing data on Chinese servers rather than in India, which has further solidified the push for data localization. In the process, U.S. companies such as American Express and Mastercard have been punished by Reserve Bank of India for not complying with localization laws, barring them from adding new customers until they were in compliance with the laws. A further expansion of data localization rules is possible in India's data protection bill, which is currently under consideration.

While there are negatives, there are economic opportunities for U.S. firms to take advantage of. India has recognized that a comprehensive trade strategy is needed to complement the PLI schemes, as the success of the PLI schemes and *atmanirbhar bharat* is directly linked to India's ability to export. India is re-engaging with key partners on trade, having signed deals with the United Arab Emirates and Australia, begun negotiations with the United Kingdom, and restarted negotiations with the European Union. Even though the U.S. and India were unable to successfully conclude a trade deal during the Trump administration, under the Biden administration, the U.S.-India Trade Policy Forum has restarted, and Ambassador Katherine Tai is in regular contact with her counterpart, Minister of Commerce and Industry Piyush Goyal. Following the conclusion of the Trade Policy Forum late last year, India and the U.S. continued to negotiate and announced that India will allow the imports of U.S. pork and pork products into India for the first time. Separately, India continues to purchase U.S. liquefied natural gas in order to meet its energy needs, supporting more U.S. jobs.

India has also expressed support for the Indo-Pacific Economic framework, and is keen to work together with likeminded countries such as the Quad partners (Australia, Japan and the U.S. are the other members) on the supply chain resilience effort. There are positive signals from India about deepening its economic engagement with the U.S., and with India making policy changes that seek to attract foreign investors to invest in India.

**6. The Commission is mandated to make policy recommendations to Congress based on its hearings and other research. What are your recommendations for Congressional action related to your testimony?**

It is time to re-engage India on a trade deal. During the Trump administration, the U.S. and India engaged in a series of trade discussions, which aimed at improving market access for U.S. firms in India, and in exchange, the U.S. would reinstate India's participation in the generalized system of preferences (GSP) program. However, due to the lapse of the GSP program and the change in administration, trade negotiations came to a standstill. Though there have been some positive developments lately, including the agreement on opening up India's pork market to U.S. exports, there's an opportunity to do more. As my colleague at the Asia Society Policy Institute, Wendy Cutler, has argued, it is time for the U.S. and India to talk trade<sup>25</sup>. Beyond the economic benefits, there are a number of strategic benefits: India is our partner in the Quad, and the U.S. and India are the only countries that do not have a trade deal between themselves. Furthermore, India and the U.S. are also a part of the "I2U2" Quad (India, Israel, United Arab Emirates, and United States), and India has concluded a deal with the UAE and is actively considering negotiations with Israel.

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<sup>25</sup> Kenneth Juster, Mohan Kumar, Wendy Cutler, and Naushad Forbes, "It's Time for America and India to Talk Trade," *Foreign Affairs*, April 14, 2022, <https://www.foreignaffairs.com/articles/india/2022-04-14/its-time-america-and-india-talk-trade>

As India and the U.S. work together on a supply chain resiliency effort, and as companies look to move some of their operations and supply chains out of China, this is the right moment for the U.S. and India to begin reaching their full potential by engaging in broader trade negotiations.

Additionally, there is a need to elevate and broaden our level of engagement on the digital economy, and make this a central pillar of our strategic and trade engagement with India. There is an opportunity now to move towards a U.S.-India data sharing agreement and leverage India's presidency of the G-20 in 2023 as an opportunity to move forward on global digital issues. One of the recommendations from a task force that I recently participated in suggests that now is the time to develop a U.S.-India Digital Economy Ministerial, which could be co-chaired by cabinet level officials from the Department of State, the Office of the U.S. Trade Representative, and the Department of Treasury. This is not unlike the structure of the U.S.-EU Trade and Technology Council and the new India-EU Trade and Technology Council, but the issues and work streams should be tailored towards the U.S.-India relationship. This is also an opportunity to create a digital strategic partnership, similar to how there are partnerships for energy and defense. Digital issues are critical to a robust India-U.S. commercial partnership, and they need to be elevated in the conversation.