

The Future of India-US Digital Trade Relations: Opportunities and Challenges for Cross-Border E-Commerce

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Abstract

Digital trade has been one of the domains which have been severely lacking between India and the US, both governments have therefore started devising plans that can help in using technology as a major platform for cooperation. The purpose of the present research has been to closely observe the digital trade scenario between both countries and the policy barriers and concerns which limit digital trade between both countries. Secondary sources of information from peer-reviewed journals, online articles from top media houses and government reports have been used to address the purpose of the study and collect the necessary data. The different policy barriers identified by CCIA have been studied within the research to show the imbalance and misalignment of digital trade, and adequate opportunities have been discussed to increase cross border digital trade between India and the US.

Keywords: Digital trade, India, US, CCIA, policies, regulations

1. Introduction

The India and US trade relations have continued to improve over the years, during Prime Minister Narendra Modi's US visit in 2023, cooperation and collaboration between both countries were a major talking point. Even though the US has emerged as the biggest trade partner of India, digital technologies is not one of the sectors which observed much traction. As pointed out by the CCIA, a \$27 billion deficit was observed in digital services between both countries, therefore, there is a need to identify the barriers and opportunities in this sector. Both countries in recent years have increased their technological partnership with the help of the Initiative on Critical and Emerging Technology (iCET) (The Hindu, 2023). Under this new policy, both countries can work together to develop new technologies in the context of artificial intelligence, quantum computing, semiconductors and wireless telecommunication. The purpose of the present research is therefore to observe the regulatory barriers and other challenges which both countries face in carrying out their strategic alliance for digital partnership and the opportunities for cross border and digital trade.

2. Methodology

The focus of the present research has been on understanding the existing status of the India and US digital trade and the challenges both country faces in actively collaborating. The future is digital, understanding both the existing problems and opportunities which exists can be helpful towards implementing strategies for the future relation between both countries. Due to these reasons, a secondary qualitative research approach has been adopted for the study. The data has been carefully collected from different peer reviewed journals and articles, official websites and digital newspapers. The collected data have also been presented in the form of a thematic analysis to focus on each of the

element separately. The use of secondary data within the research has also contributed in increasing the authenticity of the research.

3. Findings

3.1 Digital Trade Relations between India and the US

In a joint statement between both US and India, both the country have stressed the importance of digital trade and services and the need to support growth relations. The ministers understand that there are significant barriers which prevent companies from both countries from actively collaborating, the tangible benefits that it would provide to workers and businesses of both countries need to be considered for this purpose. In the modern world, digital trade is needed to foster both economic growth and innovation. Digital Personal Data Protection Act (DPDPA) is one of the new acts developed by India to increase data protection, privacy and security for digital trade, the country believes that this will help with connectivity and expand the trade between both countries (PIB, 2024). At present both countries have positive trade relations, and the introduction of Digital Public Infrastructure (DPI) ensures that digital trade relations are inclusive and contribute towards a competitive market.

High-tech ties that are both strategic and defensive have been observed between the digital trade relations of both countries. The governing bodies have stated the importance of having an environment that is conducive to supporting digital trade and growth between the countries. The enhancement of Information and Communications Technology (ICT) has further contributed towards engagement for digital trade. American technology companies have a long history of being present in the Indian market, this has led to higher strategic cooperation and improved relationships (The Diplomat, 2023). The statement between both countries shows the plans for collaboration on improving the cyber security aspects and the need to carry out sustainable development for the future (USTR, 2023). Despite the progress, there is no clear roadmap due to the digital trade barriers which are present in India, as pointed out by the Computer & Communications Industry Association (CCIA). The lack of a clearly defined policy for digital trade between both countries suggests that although digital trade relations will improve in future, it will not change India's approach immediately.

3.2 Resilience and Inclusivity in Cross-Border Digital Trade

India's digital development for trade has stemmed from the success the country has observed in implementing digital tools for domestic experience. The country has observed immense success in introducing digital financial systems and inclusive payment methods. Similar to the relations with the US, other European nations from the EU have also started cooperating with India to transform the digital trade relations of the country and spur its development (Okano-Heijmans and Vosse, 2021). Studies have shown that the use of India's DPI can significantly transform the cross-border data flow within the country. Cross-border data flow is highly needed in the country to facilitate the movement of goods and finance within the country. Digital trade all over the world has been estimated to be around US\$800-US\$1,500 billion, this can significantly be used to boost the Indian economy and make the trade market even more resilient. One of the major barriers is the existing cost of trade, DPI can make the process more affordable and help India use inclusivity as a comparative advantage towards trading.

Digital trade involves fast delivery of public goods and services and that can only be possible when governments with data-driven insight can introduce new policies and reforms that help in national growth. Studies have shown that India will not be able to improve digital trade without global cooperation (Pandey et al. 2023). The G20 has also focused on the need to create agendas that are both

resilient and sustainable, digital trade is needed for micro, small, and medium-sized enterprises as it provides these organisations with more opportunities to support themselves. Digital trade can benefit from new and emerging technologies such as blockchain and artificial intelligence, both of these aspects can raise the transparency levels (Das et al. 2023). Digital trade has become a priority for many countries in the post-pandemic era, cross cross-border digital trade needs to be revamped to implement inclusive regulations and adopt better practices (Damuri and Das, 2023).

3.3 Challenges Faced by India US Digital Trade Relations

The CCIA has stated some of the barriers with the Indian digital trade policies which limit activities between companies from both countries. India has maintained a protectionist posture in the field of digital trade with its pursuit of “Atmanirbhar Bhagat” or self-reliant India. This kind of policy favours domestic organisations over cross-border data flow, substitute products cannot enter the market as the country focuses on products produced within the country (CCIA, 2023). The report further presents that the regulatory processes of India are very opaque, despite bilateral agreement between both India and the US, the country continues to impose digital services taxes. The Modi government has also been adamant about not removing the digital taxes unless there is global assurance from the OECD, this kind of stance on a global platform leads to the US digital firms carrying out trade with India to continue paying taxes. For US companies to enter the market, the landscape needs to be both consistent and predictable. Discriminatory regulations against foreign companies to support the local ones hamper any kind of business opportunities in the country. The government also has restrictions on certain internet-based content, the lack of access severely limits the potential of the organisations. In 2021, India imposed amendments to the IT Act, this policy brings new kinds of obligations and strict timelines for noncompliance (CCIA, 2023). The content moderation amendment from 2022 also requires social media providers to cater to user complaints, all of these policies and amendments are good for the domestic market but stunts trade and commerce from foreign companies.

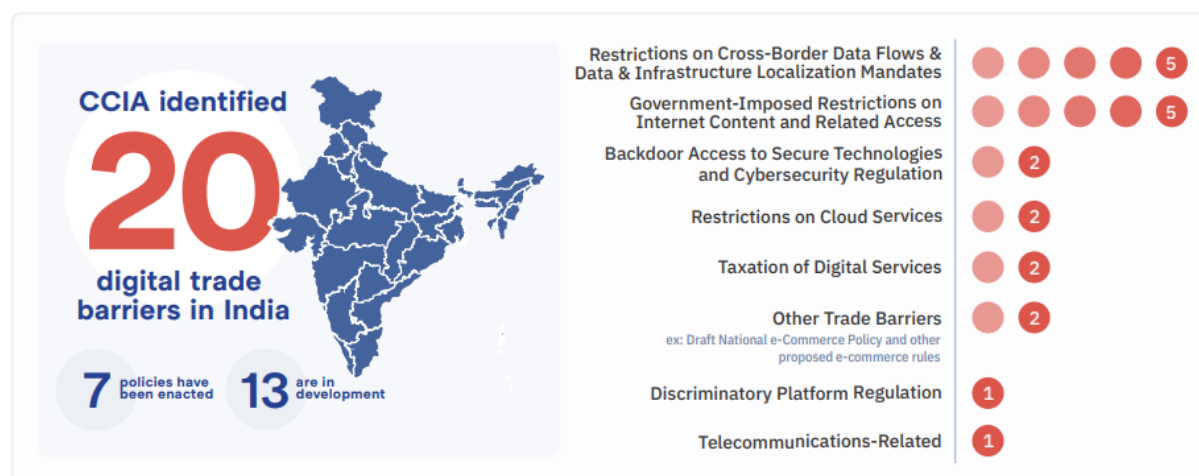


Figure 1: 20 Digital Trade Barriers in India Identified by CCIA

(Source: CCIA, 2023)

The CCIA has been vocal about the US being supportive of Indian businesses, they have been open to trade and commerce but it is not reciprocated by India to increase digital trade. Back in 2016, India

introduced a 6% levy tax on digital trade carried out by organisations that do not have a solid base in the country (The Hindu, 2023). This policy was further revamped in 2020 with the “Equalisation Levy 2.0” which places an additional 2% tax on the gross revenue of the organisation. The IT rules of the country are also problematic as they place extra burdens on digital traders performing on social media intermediaries (SMIs) that have over 5 million registered users, thereby alienating the majority of US firms. The CCIA has remarked these policies to be impractical, furthermore, the Grievance Appellate Committees (GAC) can resolve content-related uses faced by the consumers and alter decisions made by the SMIs. The Digital Personal Data Protection Bill introduced by the country in 2022 also continues to make the digital trade relations between both countries ambiguous. The “Digital Competition Act” also limits the capabilities of large US firms in performing digital trades in the country, unless these barriers are removed, successful trade cannot be implemented.

3.4 Opportunities for Cross Border and Digital Trade between India and the US

Studies show that despite the several problems with the Indian digital trading system, the different countries have accepted this as reality because the Indian market is huge and losing it is a major loss for these companies. Additionally, the 6% levy tax is only applicable to organisations that do not have organisational bases in India, this has led to many organisations relocating part of their business to the country to meet India’s localization requirements (The Diplomat, 2023). Studies have stated that the positive relationship between the US and India is built on mutual respect for one another, this provides an opportunity for India to change their policies for the US as the relationship between both countries continues to mature.

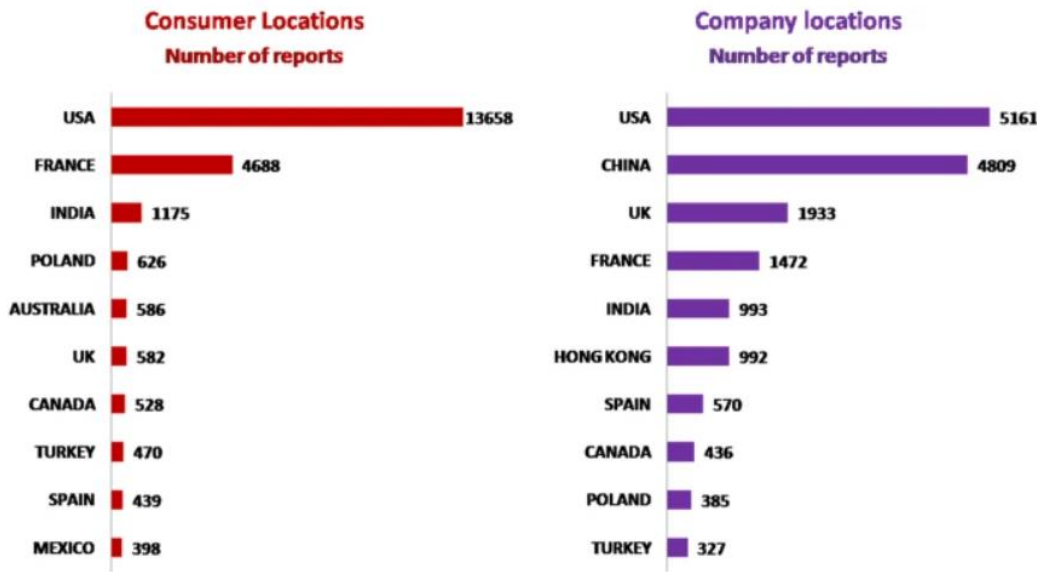


Figure 1: Online shopping consumer and company locations
(Source: Chawla and Kumar, 2022)

Previously as research has pointed out, a lack of trust in goods available on digital platforms prevented people from buying online, the rapid e-commerce growth in the country has provided new opportunities for both consumers and businesses to enhance their digital trade in the country (Chawla and Kumar, 2022). The CCIA of the USA has made some valuable points about India having discriminatory regulations for American companies when the US has offered an open market for Indian companies to carry out their business, the market environment needs to be predictable for the companies to be more

willing towards investments. The existing policies and regulations through support remote transactions in the country pose heavy taxes and unrealistic expectations for digital traders, India needs to reduce taxes and provide more incentives for these organisations to increase international cooperation.

4. Conclusion

As concluding remarks for the present research, it can be seen that the international digital trade relations between the US and India have continued to improve over the years. Both countries continue to release joint statements on the state of digital trade between the countries. However, although relationships have grown, digital or technological services between both countries have not improved. The research discusses iCET and other initiatives and policies between the countries which have aimed towards enhancing the collaboration between both countries in focus on the high technology areas. The present research has thoroughly discussed the problems which CCIA has within the Indian digital trade policies as well as the opportunities which exist to improve digital trade between both countries.

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