

Though it is not an aid agency or an NGO but a TRADE organization, it has worked towards benefiting the world through its developmental work in developing countries. For instance, in the last week of November 2012, trade diplomats from 13 Asian economies participated in a workshop in New Delhi to discuss best practices for dispute settlement⁶. In addition to the efforts by the trade organization, similar efforts are required from the non-trade institutions of society also. George Soros clearly explains where the fault lies: "The trouble is not really with the WTO but with the lack of similarly powerful and effective institutions devoted to other social goals."⁷

As seen in the past decade, the ambition of WTO of having a free trade regime remains a fantasy. Though it fails on the implementation of the guidelines of achieving efficiency as well as equity, it deserves applause for the sound ideological basis. Hence, the suggestion that it should be dismantled altogether should be dismissed and efforts should be taken in the direction of the effective functioning and implementation.

References:

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Indo-American Economic Relations & Impact of Obama's Second Term

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The India-US strategic partnership is a broad-based one and has matured over the years, with a bipartisan support for the relationship. During his first term, President Obama declared the U.S.-India relationship "a defining partnership of the 21st century". Now, it is up to him to continue working toward this vision by reigniting the key foundational element, U.S.-India trade and commercial ties. As the world's second-most populous country and on track to become the world's third-largest economy, India will be an important ballast to the U.S. "rebalancing" strategy, and bilateral economic relations will yield substantial growth opportunities for both nations.

With Barack Obama re-elected as the president of US, India needs to watch his stand on FDI, immigration, outsourcing and overall relations. While corporate India and public at large are happy with Obama winning the second term, will the president match up to India's expectations?

The Indian outsourcing industry is still growing fast. Revenues for India's information technology and outsourcing industries are expected to cross \$100 billion this financial year, up almost 15 percent from a year ago. The industry gets more

than half of its revenue from the US as the companies in this sector employ most of their staff in India, where the costs are lower (an employee in US is three times more costly than one in India). The slow pace of economic recovery in the US and the high rate of unemployment over the last few years saw Barack Obama taking a tough stance against Indian outsourcing companies in his first term because Indians are often perceived as the ones to be taking away jobs from the West. Barack Obama's victory in the 2012 US presidential elections has made India's \$100 billion IT services sector edgy. Job creation emerged as a top priority in the presidential campaign. Obama announced a string of measures such as tax breaks for the companies who are ready to invest only in the United States to create jobs within the country. However, the issue of outsourcing might be mere election propaganda and it may not actually affect his policy decisions since even US companies have made profits by outsourcing. In realistic terms, the country is facing shortage of skilled technical employees, triggering the need for such workforce from India.

The US in the past few years has tightened its visa policies as well. Rising visa costs, coupled with rejections and delays have adversely impacted the employment prospects of Indians going there. Firms will find it difficult to secure US visas for their staff during Obama's second term in Office.

In the grand scheme of the U.S. labor market, however, most Indian immigrants are job creators. They are entrepreneurs or people who add to the U.S. economy with their skills, rather than "job-takers"—low-skill immigrants whose primary contribution to the economy is to take existing low-skilled jobs, which they are willing to do for a lower price than Americans.

The picture is positive for India's software product industry. Obama is a big supporter of start-ups. There could be more capital available to Indians because capital movement cannot be geographically restricted. India has a lot to gain by supporting his policies and our industry must do its bit by facilitating job creation in America and encourage joint partnership in healthcare utilities and education. A strong America will generate more FDI (Foreign Direct Investment) and create more global jobs, which would benefit the world.

The Indian Rupee has been valued pretty low for some time now. The causes being many, including India's growing troubles over corruption and inter party mudslinging. With Obama being re-elected, it is projected that the Dollar may continue its upward growth and the Rupee to be pressurized lower. However, this can be averted. Bilateral trade was expected to cross the \$100-billion mark in 2012 in a range of sectors like higher education, homeland security, cyber security, green energy and climate change, women's empowerment, science and technology, healthcare and innovation. India counts among the top 10 fastest-growing sources of FDI into the US. Indian companies across the US are operating in a range of sectors such as pharmaceuticals, healthcare, financial services, manufacturing, telecommunications, iron and steel, information technology and media and entertainment. These companies are not only investing and generating revenue in the US, but critically, are saving and creating jobs. India's IT industry alone employs some 35,000 US workers with R&D activity on the upswing. Indian companies have brought in \$30 billion in investments into the US economy in the last five years and paid \$15 billion of taxes and also contributed \$3 billion to social security.

Also, Indian students, the largest from any country in the US after China at 1,05,000 in 2009-10, add to domestic university strength and contribute to local economies as well. These positive trends are likely to continue during Obama's administrative term. Obama's win will ensure continuity of his economic policies and programs, which will also help in putting the world economy back on track. If the US administration ensures more economic engagement with India, it will help both the countries in grappling with the slowdown. The real challenge for Obama is to overcome the fiscal cliff soon in order to boost the US economy. In the process, IT sector will grow and India is bound to get a fair share of the growing market and its related benefits. The IT sector will require competent manpower, talent and skills which to some extent will give India a chance to supply. Indian IT industry's fundamentals are strong and the economy is likely to grow with the adoption of new technology.

Obama is also supportive of China playing a bigger role in Asia and looks at Beijing as an important partner, which is specifically not good news for India. As far as nuclear deal and FDI policy are concerned, it will be in India's favour, being a big customer.

As India increasingly diversifies its portfolio of trading partners, the U.S. share of global trade and investment with India is falling. Other nations are pushing ahead on their economic engagement with India. Today, India has investment agreements with over of 80 countries, including all major European nations, the Association of Southeast Asian Nations (ASEAN), Japan, and South Korea. Over the next four years the United States should step up its efforts to solidify its economic partnership with India lest it cede ground to India's other trading partners and fall short of realizing

the full potential of a truly "defining partnership."

We have moved on allowing foreign direct investment in multi-brand retail, insurance, pension sectors but significant reforms in the financial and labour sectors sought by the US are still awaited. Obama, who had commented critically some months ago on the reforms slow-down in India, is likely to return to the theme, particularly as his focus on economic issues in his second term might become sharper in order to bolster the flagging US economic growth.

The role of the Indian and American national governments should largely be to allow specialization and comparative advantage to bring greater mutual prosperity. Services trade shows a reasonable match to each country's comparative advantage. The Indian performance in services trade is quite good, stemming in part from a less regulated labor market than is the case for manufacturing. Goods trade, in contrast to services trade, does not appear to reflect comparative advantage. This is because exchange is being dictated only secondarily by the preferences of individuals and companies. Trade patterns are warped by barriers imposed by governments. The best way to enhance bilateral goods trade is to bypass these two national governments. Indian states have their own trade barriers, but they can also act to offset national policies that interfere with their particular comparative advantages.

Closer economic ties in infrastructure sector can yield mutual benefits to both the countries. The Government of India is continuously reviewing its policies to create an investor friendly environment in sectors such as roads, ports and airports. Private sector participation in management, green-

field airports, terminals and shipping berths and capacity augmentation has been initiated.

With Obama's second term, we don't expect any exceptionally adverse policy changes as he would work on the lines of his previous policies. But we definitely hope for a positive impact on the economic relations between the two nations as both are at stake. It will require a great deal of work for the office bearers of the two nations to lead India-U.S. economic relations forward. But the rewards will be vast.

THEY SAID IT !

"The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist."

John Maynard Keynes

"Despite a voluminous and often fervent literature on "income distribution," the cold fact is that most income is not distributed: It is earned." *Thomas Sowell*

"If you owe your bank a hundred pounds, you have a problem. But if you owe a million, it has." *John Maynard Keynes*

"Economics is extremely useful as a form of employment for economists." *John Kenneth Galbraith*

"99 percent of all statistics only tell 49 percent of the story." *Ron DeLegge II*