



SMALL WINS, BIG OPENINGS:

Takeaways From The First
Knowledge Series Roundtable
On The Future Of The India
– US Technology And Trade
Relationship





Koan Advisory Group (“Koan”) is a New Delhi-based public policy consultancy. Koan specialises in policy and regulatory analysis in both traditional and emergent sectors and markets.



The Information Technology Industry Council (ITI) is the premier global advocate for technology, representing the world’s most innovative companies. ITI promotes public policies and industry standards that advance competition and innovation worldwide.

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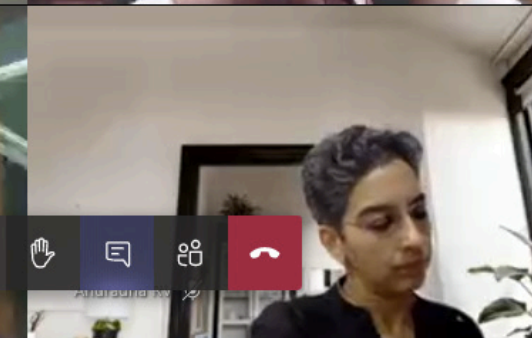
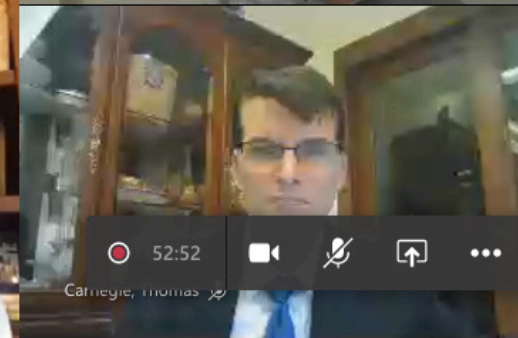
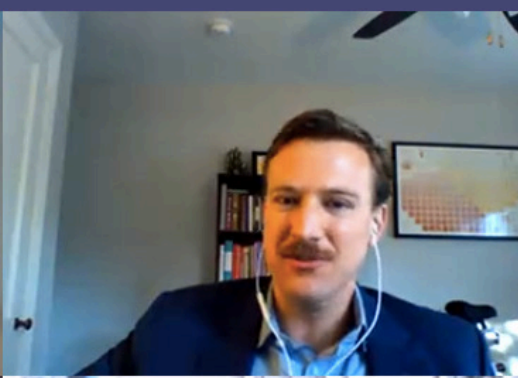
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OVERVIEW

The India – United States (US) trade relationship is at a critical crossroads. Despite consistent increases in bilateral trade, an agreement remains elusive. In 2019, the bilateral trade in goods and services reached \$149 billion, and US President Joe Biden has expressed an interest in increasing this figure to \$500 billion. The US is a \$30 billion service export market for India, and the total stock of US foreign direct investment (FDI) in India stood at \$45.9 billion in 2020. The countries came close to inking a ‘trade package’ in 2019, which would have indicated the resolution of key sensitive items like agriculture, dairy products, medical devices, and the Generalized System of Preference (GSP), but remained distant on technology and digital trade.

A change of guard at the White House provides an opportunity to bolster the India-US trade and technology relationship. The economic crisis precipitated by the COVID-19 pandemic has generated unprecedented uncertainty globally. The new administration in the US has also indicated its desire to reinvigorate international partnerships, including through multilateral engagement. For instance, it has prioritized engagement with the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework’s effort to update international tax rules for the digitalising economy.

This is an opportune time for the India – US bilateral to become a source of stability, prosperity, and growth. For this, the two sides must engage on matters of mutual concern and discover common values that will govern their interactions in emerging markets. Proactive engagement on technology policy can help foster trust and strengthen the partnership.

THE ROUNDTABLE

Against this backdrop, the Information Technology Industry Council (ITI) and the Koan Advisory Group organized a closed-door virtual discussion on the future of the India – US technology and trade relationship on March 04, 2021. Thirty high-level Indian and US policy stakeholders, including senior government officials, industry executives from prominent multinational and domestic tech companies, distinguished think tanks, law firms, and academia participated in the discussion. During the session they focused on the following areas:

- **Assessing the role of technology in a dynamic geopolitical setting, and**
- **Charting the way forward for India and the US to align on digital trade**



THE FUTURE OF INDIA – US TRADE

Between both countries, there is a growing recognition that issues of technology and trade are interlinked. The White House’s interim National Security Strategic Guidance echoes the perils and promise of the technological revolution. It acknowledges that the world’s leading powers are racing to develop and deploy emerging technologies like artificial intelligence and quantum computing, which will shape everything from economic and military balances among states to the future of work, wealth, and inequality within them. The Guidance also calls for recognizing the changing distribution of power brought on by China’s rising economic, political, military, and technological muscle. India’s understanding of technology and trade is similar. In December 2020, it established a National Security Directive on Telecommunications, which lists “trusted and not trusted sources” of services and products for telecom service providers, “to maintain the integrity of supply chain security”.

A new geopolitical and geo-economic reality, characterized by heightened uncertainty, means that both countries are looking to reimagine their trade strategy in the context of technology markets. So far, India has remained wary of making technology-linked international trade commitments. Conversely, technology-related provisions have been central to the recent trade agreements inked by the US. These include the US-Mexico-Canada Agreement and the US-Japan Digital Trade Agreement. There are also clear differences between Indian and American approaches to digital regulation. For both countries to be on the same page, roundtable participants recommended the following steps:

1. DELIVERING THE RIGHT MESSAGE:

Both India and the US are witnesses to protectionism in public discourse. In India, this is reflected in a renewed interest in industrial policies. In the US, concerns have been raised about outsourcing of services, and the movement of skilled professionals. Both governments should work towards equitable distribution of economic resources to serve a common good. Therefore, key interlocutors must evangelize the merits of a free and open trade environment between India and the US. Industry must continuously engage with decision-makers to demonstrate that technology markets, supported by the virtuous cycle of innovation and economic value, can truly empower citizens.

2. LEVERAGING THE G20:

India's 2022-23 presidency of the G20 presents an opportunity to articulate a forward-looking vision for trade. Launched in 2008, to tackle the global financial crisis, it is among the most appropriate forums to build consensus in areas like digital trade. For instance, the absence of interoperable data protection and privacy approaches across jurisdictions can make data governance contentious and generates concerns about the ability of law enforcement to operate effectively. Similarly, there is a need to facilitate the participation of small businesses in global value chains. Interoperable approaches can allow data to flow freely while ensuring appropriate protections. They can also provide small firms with the certainty and opportunities to operate in erstwhile inaccessible markets. As the Indian and American economies recover from the global pandemic and face new economic pressures, they will need a sustainable framework for cross-border trade and investment. For the next two years, the Indian government should look to engage with key partners and support policies that promote an open and free internet, to help develop specific recommendations to put forward at the G20.

3. STRENGTHENING DIALOGUE:

India and the US should explore ways to strengthen existing dialogues to coordinate responses to issues related to privacy, 5G, and cybersecurity. The India – US ICT Working Group (ICTWG), established in 2005 to discuss such concerns, has failed to deliver. This is because the ICTWG met sporadically and the time allocated to discussions was inadequate for any meaningful engagement. Therefore, both countries should consider elevating the ICT dialogue to iron out potential concerns. They should establish a digital trade working group to enable information sharing among regulatory agencies and businesses. It would be important for this working group to meet regularly and work on mutually agreed upon targets. This arrangement will help navigate challenges thrown up by the rapid pace of technological advancement and efforts by policymakers to address questions related to such progress.

4. IDENTIFYING AREAS OF COMMON INTEREST:

India and the US should deepen their collaboration in specific areas to move forward, which includes strengthening their engagement on matters of trade and investment policy. To this end, participants outlined potential areas. These include:

- a. **Supply Chain Resilience:** India and the US should intensify efforts to reshape supply chains, as national security risks emerging from technology products (hardware and software) take centre stage. As the global economy restarts after the COVID-19 induced shutdowns/lockdowns, there is an urgent need to improve their resilience. The pandemic, however, exposed new risks linked to the concentration of manufacturing supply chains. As a result, nations and businesses around the world now seek trusted supply lines. In this context, India and the US can take a cue from the India-Japan-Australia trilateral supply chain initiative launched in April, 2021.
- b. **Standard Setting:** Both countries have enhanced their focus to develop regulatory and technical standards for next-generation technologies. They should collaborate and promote policies that support the industry-led development of global, voluntary and consensus-based standards for next-generation products such as 5G, artificial intelligence (AI), and internet of things (IoT). The participants called out the need to leverage existing mechanisms such as the Common Criteria Certification Scheme. It provides an infrastructure within which participating organizations can specify functional and assurance requirements, businesses can develop and claim specific product qualities, and testing facilities can examine products to determine whether they meet those claims.

5. IDENTIFYING COMMON OBJECTIVES:

While well-defined and clear national objectives that are aligned with sectoral and institutional goals are critical, the two countries will have to be flexible in their negotiating approach. Fixed objectives can restrict negotiators to develop creative solutions if they disagree on certain areas. Therefore, it is important for India and the US to collectively define core objectives and explore graded or graduated commitments in the event of a stalemate. Such commitments could come in the form of flexible compliance windows, and institutional cooperation to aid transitions to a new regulatory regime.

6. ENHANCING KNOWLEDGE SHARING:

There is a need for an institutional mechanism that can aid knowledge-sharing between India and the US. Such an arrangement will equip decision-makers to handle technology-led evolutions and provide effective oversight to market participants. Both countries also need to enhance knowledge-sharing processes related to bilateral trade at sub-national levels. This is especially critical for India, because of a multi-tier administrative mechanism which includes the central government, state governments, and local bodies. Therefore, it must adopt a whole-of-government approach to ensure inclusive participation and reduce implementation risks.



LEAD DISCUSSANTS

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