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DYNAMICS OF BILATERAL TRADE AND TRADE IMBALANCE BETWEEN INDIA AND THE UNITED STATES: EVIDENCE FROM 1985–2025

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Abstract
Foreign trade plays an important role in India's economic growth and global liberalisation. US is one of the major trading partners of India with a strong bilateral trade relationship. The total merchandise trade between India and US has increases from US $3.94 billion in 1985 to US $149.43 billion in 2025. It creates a positive impact on the foreign exchange earnings and global market participation of Indian economy. The US remains India's largest export destination with approximately 22% of India's total global exports. India's economic liberalisation policy 1991 has strengthening the bilateral trade relationship between India and US. The present study tries to understand the dynamics of bilateral trade and trade imbalance between India and US from 1985-2025. The study is based on policy based three phase periodisation: the pre liberalisation periods (1985-1991), the post liberalisation period (1992-2010), and the period of economic cooperation and strategic partnership (2011-2025). The first objective analyse the growth and trend of bilateral trade between India and US during 1985-2025.

The second objective examines the pattern and magnitude of trade imbalance between India and US. In order to satisfy the objectives, the secondary data from Unites Census Bureau were used. Descriptive statistics, trend analysis, CAGR, percentage growth analysis and linear trend regression are used to achieve the objectives. The findings show a substantial expansion in exports, imports and total trade following economic liberalisation and strengthening of bilateral economic transactions. The study concludes that economic liberalization significantly enhanced bilateral trade between India and the United States. While both exports and imports expanded substantially, India maintained a persistent trade surplus with the United States throughout the study period. It highlights the need for further research to assess the broader economic implications of the growing trade surplus and the sustainability of India–US trade relations in the context of changing global trade dynamics.

Key words: India-US trade, Trade imbalance, Exports, Imports, Trade growth, International trade, Economic relations.

Introduction

International trade boost economic growth of a country though break the limits of domestic demand, slower technological advancement, economic inefficiencies as a result of lack of economic competition and constrained economic growth and enable the economy to plug into the international economy. International trade leads an economy to a long term and positive economic growth (Putri Dewi Purnama & Ming Hung Yao 2019). International trade p[lays as an engine for economic growth of many developing countries. Financing for Sustainable Development Report (2024) also states that, international trade boost economic growth of many developing countries. India's economic liberalisation policy 1991 altered India's face in global economy. It strengthened India's exports and imports and trade relations with major economies. Among these economies, the United States formed as a core pillar trading partner of India. US is the largest trading partner of India with overall bilateral trade of US$ 190.1 billion in 2023 (US Census Data).

Bilateral trade between India and US expanded considerably over the years. Recent trade statistics shows the growing importance of this relationship. Office of the United States Trade Representative reports that US – India goods trade reached approximate US$ 149.4 billion in 2025 and bilateral service trade reached US$ 83.4 billion in 2024, reflecting the deep and strong economic cooperation between these two countries. Beyond as major trading partners, the US plays a significant role in India's economic development through investments, technological innovation and employment generation (Ministry of External Affairs). In this increasing significance of India–US trade relations in the global economy, a study on dynamics of bilateral trade between India and US is relevant.

This particular study based on policy based three phase periodisation: the pre liberalisation periods (1985-1991), the post liberalisation period (1992-2010), and the period of economic cooperation and strategic partnership (2011-2025). This study completely based on the secondary data from Unites States Census Bureau. Results shows that, India – US merchandise trade has expanded significantly over the study period (1985-2025). . The findings show a substantial expansion in exports, imports and total trade following economic liberalisation and strengthening of bilateral economic transactions. The study concludes that economic liberalization significantly enhanced bilateral trade between India and the United States. It also found that India always maintained trade surplus with US throughout the phases. Existing studies are mainly focused on export performance and sector specific analysis. Research on long term examination of trade growth and trade imbalance are very limited. So this particular study coverts three phase policy analysis, to understand the evolution of bilateral trade relations over for decades.

Objectives

1. To examine the growth and trend of bilateral merchandise trade between India and the United States during 1985–2025.
2. To analyse the pattern and magnitude of trade imbalance in India–U.S. merchandise trade during 1985–2025.

Methodology

This is a descriptive and analytical study based on secondary data. It is a "Policy Based Periodisation" based study. To examine the trade dynamics of India – US, the study period (1985 - 2025) was divided into three phases: the pre liberalisation periods (1985-1991), the post liberalisation period (1992-2010), and the period of economic cooperation and strategic partnership (2011-2025). Data relating to India – US bilateral trade were colleted from the United States Census Bureau. The first objective, analysis of trade growth and trend was measured with average analysis, Compond Annual Growth Rate (CAGR) and trend analysis. The CAGR calculates with the following formula.

CAGR = [(Ending Value / Beginning Value)^(1/n)] − 1

Where n represents the number of years between the beginning and ending observations.

The second objective that si the pattern and magnitude of trade imbalance was examined with average trade balance, percentage change analysis and graphical trend analysis. The findings are presented with the help of tables and figures.

Review of Literature

International trade plays a critical role in economic development through openness to global market, comparative advantage, technological transfer, foreign direct investment and generating employment opportunities. International trade has a significant positive impact on the GDP growth of India (M Vadivel and Dr M Nirmala 2020). Actually international trade is a facilitator than a direct driver of economic growth (Dominick Salvatore and Janhavi Shankar Tripathi 2025). Through international trade countries benefited not only from goods and services but also through the technological transfers and innovative development ideas (Tugba Kircicek and Gercek Ozparlak 2023).

Economic policy changes influence the entire phase of the Indian economy. J S Uppal (1993) considered New Economic Policy as a U turn of the Indian economy. After economic policy India become more blended with major economies. Among these US is the one of the significant trading partners of India. The Hindu (2025) reported that, US remains as India's largest trading partners for the fourth consecutive year in 2024-25 with bilateral trade volume US$ 131.84. Reducing tariff barriers increase trade volumes of both the economies (U T R Sreedhar Prasad 2026). But the trade relationship has transformed from simple comparative advantage base trade to sophisticated integration across multiple dimensions (Gayatri Dilip Gohli 2024). The positive tariff by the Trump administration can be considered as a significant development in India – US trade relationship (Sachin Sigh and Kanchan Srivastava 2025). Recent studies shows that despite strong bilateral trade relationship between India and US, policy challenges still exist. Recent global tensions, especially the US – China trade war have changed the entire phase of global trade system, creating both opportunities and uncertainities for India (Dr G Yoganandham 2025).

The existing literature sates that, international trade can be considered as a key component of Indian economic development. After liberalization India create a significant economic relationship with major economies. US – India trade relationship have a deep historical past and maintained a sustainable and strong bilateral relationship despite the existing trade related challenges.

Research Gap

Existing studies mainly focused on India's international trade, trade competiveness and impact of economic policy on its external trade relations. The areas which are focused on the bilateral trade between India and US have limited research on long term dynamics of both trade growth and trade imbalance. Existing studies are rarely used a periodical based framework for analyzing the dynamics of trade between India and US. Therefore the present study attempts to fill this gap by analyzing bilateral trade relationship of policy based three phase periodisation: the pre liberalisation periods (1985-1991), the post liberalisation period (1992-2010), and the period of economic cooperation and strategic partnership (2011-2025).

Scope of the Study

The India – US bilateral trade relationship is one of the most significant trade partnerships in the global economy. Despite continues trade challenges and policy changes; they have both maintained a significant and sustained trade volume. This continued growth underscore the importance of examining long term trade dynamics of India and US.

Data Analysis

Growth and Trend of India–Us Merchandise Trade

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Table 1.1: Phase-wise Average Exports, Imports and Total Trade

Phase	Period	Average Exports (India to US) (US$ Million)	Average Imports (India from US) (US$ Million)	Average Total Trade (US$ Million)
Phase I	1985 – 1991 Pre Liberalisation	2821.34	2012.13	4833.5
Phase II	1992 – 2010 Post liberalisation and Globalisation	13271	7001.1	20272.1
Phase III	2011 – 2025 Period of Economic Cooperation and Strategic Partnership	60000.3	30954.3	90954.6

Source: U.S. Census Bureau, Foreign Trade Statistics (1985–2025); computed by the author.

The policy based periodisation analysis shows a substantial expansion in bilateral trade between India and the United States. India's average imports from US increased from US$ 2012.13 million to 3054.3 million during the study period. Average exports from India to US also increased from US$ 2821.34 million in pre liberalisation to US$ 60000.3 million in the period of deep economic cooperation. Consequently, average total trade also expanded from US$ 4833.5 million phase I to US$ 90954.6 million in phase III. So it shows a deepening bilateral economic integration between India and US followed by economic liberalisation.

Table 1.2: Compound Annual Growth Rate (CAGR) Analysis

Phase	Period	Export CAGR (%)	Import CAGR (%)	Total CAGR
Phase I	1985 – 1991 Pre Liberalisation	5.64	3.34	4.71
Phase II	1992 – 2010 Post liberalisation and Globalisation	12.03	13.65	12.71
Phase III	2011 – 2025 Period of Economic Cooperation and Strategic Partnership	7.94	5.51	7.11

Source: U.S. Census Bureau, Foreign Trade Statistics (1985–2025); computed by the author.

The phase II (1992-2010) that is the period of liberalisation recorded the highest CAGR of exports, imports and total trade. It states that economic reforms and global integration accelerate the trade relationship between India and US. The growth rate was moderated during phase II but still is better than pre liberalisation period. So the removal of trade restrictions, openness to global market and deeper integration into the global economy boost the bilateral trade between India and the US.

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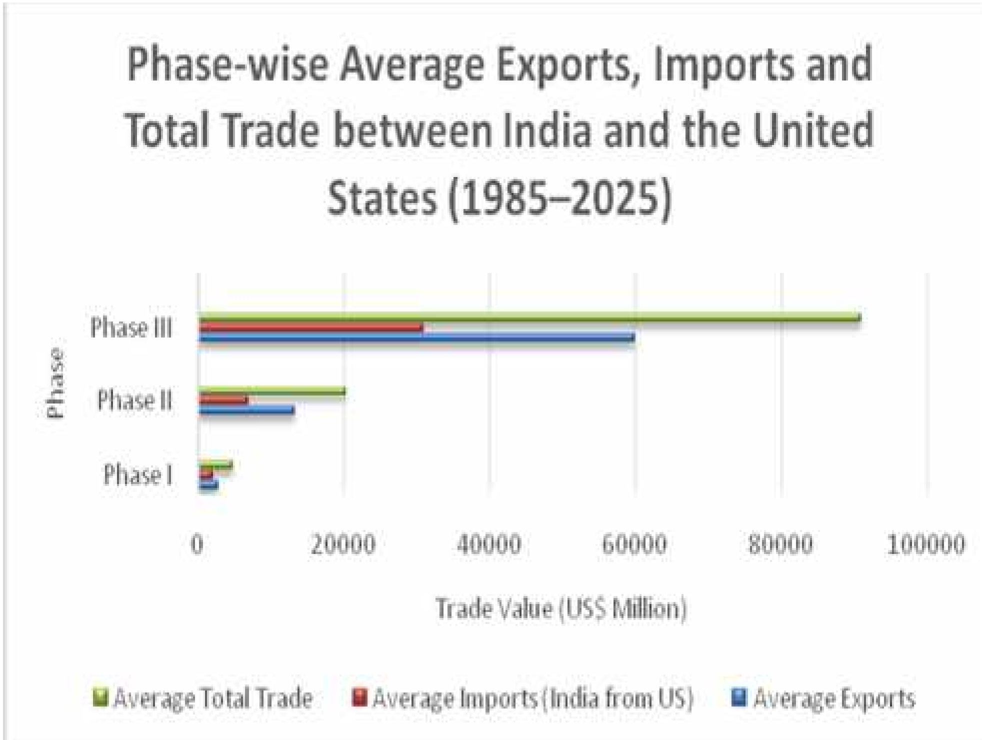
Figure 1.1



Source: Prepared by the author based on data obtained from the U.S. Census Bureau, Foreign Trade Statistics (1985–2025).

Figure 1 confirms a substantial expansion in bilateral trade between India and US after liberalisation policy. Post liberalisation phase accelerates trade expansion, while the phase deeper economic cooperation witnessed the highest level of exports, imports and total trade.

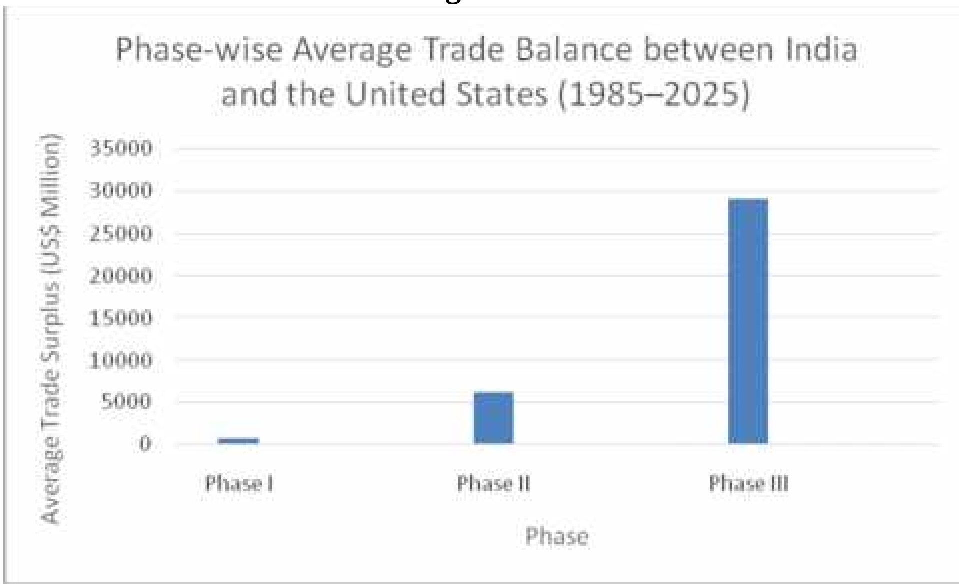
Pattern and Magnitude of Trade Balance

Table:2.1 Phase Wise Average Trade Balance

Phase	Period	Average Trade Balance (US$ milliion)
Phase I	1985 – 1991 Pre Liberalisation	809.21
Phase II	1992 – 2010 Post liberalisation and Globalisation	6269.90
Phase III	2011 – 2025 Period of Economic Cooperation and Strategic Partnership	29046

Source: U.S. Census Bureau, Foreign Trade Statistics (1985–2025); computed by the author.

Figure 2.2



Source: Prepared by the author based on data obtained from the U.S. Census Bureau, Foreign Trade Statistics (1985–2025).

The above table and figure show that trade balance remained positive throughout the study period. It indicates that India's export to the United States always larger than imports from the United States. We can see a significant improvement in trade balance after liberalisation period. It suggests that India benefited from the bilateral trade across all phases.

Table: 2.2: Percentage Change in Average Trade Balance

Phase	Period	Percentage change in Trade Balance (%)
Phase I	1985 – 1991 Pre Liberalisation	674.7
Phase II	1992 – 2010 Post liberalisation and Globalisation	363.3
Phase III	2011 – 2025 Period of Economic Cooperation and Strategic Partnership	3489.7

Source: U.S. Census Bureau, Foreign Trade Statistics (1985–2025); computed by the author.

We can see a significant change in average trade surplus India and US across the 3 phases. The surplus increased from 674.7% in phase I to 3489.7% in phase III. It confirms that India got a significant advantage from the bilateral trade with US.

Major Findings

1. The bilateral trade relationship between India and US expanded during 1985 – 2025.
2. The average analysis revealed a substantial increase in total trade volume across all three phases. It found that total trade increases from US$ 4833.5 million during ore liberalisation to US$ 90954.6 during the period of economic cooperation and strategic partnership,.

3. India's export to the United States increases from an average of US$282.34 MILLION FROM PHASE I TO us $ 60000.30 million in phase III.
4. India's import from the US also shows a significant growth. It increased from US$ 2012.13 million in phase I to 30954.3 in phase III.
5. The post liberalisation period (1992 -2010) recorded the highest Compound Annual Growth Rate (CAGR) in exports, imports and total trade volume.
6. Trend analysis also shows a continuous upward movement in exports, imports and total trade, reflects deeper and stronger economic cooperation between India and US.
7. India maintained a improved trade surplus with US throughout the study period (1985-2025).
8. The substantial increasing trade surplus of India with US confirmed the strength of India's export advantage with US.
9. The study concluded that the bilateral trade relationship between India and US positively contributed to India's export earnings, foreign exchange generation, greater market access and deeper economic integration with the global economy.

Conclusion

This study examined the dynamics of bilateral trade and trade imbalance between India and US during the period of 1985-2025. Phase wise average analysis and CAGR estimates show that, India and US have a strong and significant economic cooperation. The analysis found asubstantial growth in exports, imports and total trade across all three phases, with highest level recorded in the phase III (2011-2025) that is the period of economic cooperation and strategic partnership.

After liberalisation, the magnitude of the trade surplus of India significantly increases. So the findings suggest that the India – US trade partnership positively contributed to India's export performance, foreign exchange earnings and integration in the global economy. Despite the substantial trade between India and US, emerging trade challenges and increasing international competition creates a challenging environment for future trade growth. Overall, the study concludes that economic liberalisation policy strengthening India – US bilateral trade relationship and contributes positively to India's trade surplus.

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