

'India Should Shift Focus From H-1B Visas To Professional Services During Trump 2.0': Think Tank

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A think tank report has advised India to diversify its service sector focus beyond H-1B visa reliance, emphasising professional services and MROs.



Think tank report on India and H1B visa holders (Photo: PTI)

Amid the backlash against Indian H-1B visa holders in the United States and the ongoing debate over the programme, a report by policy think tank Research and Information System for Developing Countries (RIS) has suggested that there was an inordinately high reliance on H-1B visas as a tool for service delivery and that India should increase its focus on professional services and Maintenance, Repair and Overhaul (MROs) services.

The report also stated that India is well entrenched in the services sector in the US, but should explore a comprehensive new institutional framework to address the multiple issues that arise from trade, investment, technology and finance linkages.

It also said that despite the US economy performing robustly, the trade deficit would remain a priority concern for the incoming Donald Trump administration.

The report was published after the RIS hosted a briefing session on ‘Trade, Tariff and Trump’ on December 31, 2024, addressing the anticipated economic and trade implications of the incoming Trump 2.0 administration.

“Despite the US economy performing robustly – exhibiting a GDP growth rate improving from 1.9 per cent in 2022 to an expected 2.7 per cent-2.8 per cent in 2024 – the trade deficit would remain a priority concern for the incoming Trump administration,” the report stated.

It also stated that India is among the top 10 countries that the US identifies as partners in the current value chains, with whom the US trade deficit is more than 40 per cent.

“The Trump 2.0 administration, with its America First policy priority, is likely to identify countries and sectors that can provide the best recourse for reducing imports. They may also like to focus on steps that bring in manufacturing from their partners in the current value chains, which may mean a greater emphasis on Mexico, Canada, and China with whom US trade deficit is more than 40 per cent. India, with trade surplus of US\$ 33.8 billion, is at the 9th position,” the report stated.

“India may need to plan first, plan hard, and yet plan fast. We need to deepen trade linkages at sectoral and product level by identifying issues related to threats and opportunities before devising policy actions. In terms of sectors and products of importance, end-use goods – consumer goods – may be a higher target for the US administration to impose tariffs,” it added.

“India is well entrenched in the services sector in the US, but there is inordinately high reliance on H1B visa as a tool for service delivery. Service delivery business model is changing rapidly, so the provision of servicers from BPOs etc. stationed in India may not benefit as much from the time-zone advantage any longer,” the report stated.

“India may like to increase its focus on professional services and maintenance, repair and overhaul (MROs) services, and similar other service sub-sectors,” it read.

“In terms of technology driven products, India has entered the US market in all segments. US tariffs are the lowest in the high technology products (0.2 per cent), so they may be targeted for tariff hikes by the new administration. To avert losses, tie up with our US importers need to be strengthened so that they lobby for their own needs. However, low technology products have high US tariffs.”

“We may be left with an avenue there to improve our participation in the value chains being built up in the US manufacturing sector,” the report stated.

“Given the intrinsic linkage between trade and investment, India may also focus on rapidly reviewing its bilateral investment treaty model to support sustainable trade initiatives. Since US tariffs are likely to impact countries like China, the impact of that US action on India’s trade and India’s position in the US market needs to be studied,” it read.

THE DEBATE AROUND H-1B VISA

The H-1B visa is a non-immigrant visa that allows US companies to employ foreign workers in speciality occupations that require theoretical or technical expertise.

Technology companies depend on it to hire tens of thousands of employees each year from countries like India and China.

The tech industry has long called for more H-1B visas to attract highly skilled workers to the US.

Elon Musk, who was once on an H-1B visa and whose electric vehicle company Tesla has hired workers using the programme, defended the tech industry's need to hire foreign workers.

"Anyone – of any race, creed or nationality – who came to America and worked like hell to contribute to this country will forever have my respect. America is the land of freedom and opportunity. Fight with every fibre of your being to keep it that way!" he wrote on X on December 28.

Musk's statement also received backing from President-elect Donald Trump whose first administration restricted the programme in 2020, arguing that it allows businesses to replace Americans with lower-paid foreign workers.

However, Trump recently said: "I've always liked the visas, I have always been in favour of the visas. That's why we have them." Musk has been consistently posting on X in favour of the programme.

"There is a permanent shortage of excellent engineering talent. It is the fundamental limiting factor in Silicon Valley," Musk wrote on December 25 on X.

Several of Trump's supporters and immigration hardliners have been increasingly pushing for scrapping the H-1B visa programme amid debate over immigration.

The debate intensified when Indian-American tech entrepreneur Vivek Ramaswamy criticised American culture for promoting mediocrity instead of focusing on academic excellence and success based on merit.

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