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## THE REAL AND POTENTIAL IMPACTS OF TRUMP 2.0 POLICIES ON THE INDIAN SERVICES INDUSTRY

### Abstract

This article examines the impacts of Trump 2.0 policies on India's services industry, which constitutes a critical pillar of the Indian economy. Given that the United States is India's primary services market, recent Trump 2.0 policy shifts pose significant threats to India's services exports to the United States. Examples of recent policy changes that India has been forced to make under US pressure include its decision to eliminate its "Google Tax" and its announcement of tax holidays for foreign cloud service providers, which disproportionately advantage US companies. In this evolving context, the article analyses two major challenges. The first is the September 2025 H1B visa policy reforms, which increased application fees twentyfold (while these were recently pronounced as an illegal tax by a US federal court, they are likely to be appealed by the Trump Administration and 'stayed' for at least a few more months) and introduced a salary-based tier system, disadvantaging Indian professionals who comprised 73% of H1B recipients in 2023. It discusses not only the fee based challenges but also the challenges relating to H1B stamping and visa delays which have begun to significantly negatively impact Indian H1B applicants as well as the likely flow-on impacts on both future H1B and student applications to the US. The second is a proposed Congressional legislation, the HIRE Act, which seeks to impose a 25% excise tax on US companies that outsource services to foreign providers, in addition to removing some of their tax benefits, thereby significantly raising outsourcing costs for US companies, many of whom are Indian outsourcing clients and beneficiaries. These current and possible developments threaten India's Information Technology (IT)-enabled services, emerging Global Capability Centres as well as its inward remittances from the US, the main, most important and fastest

POLICY NOTE

<sup>1</sup> <https://www.tepav.org.tr/en/ekibimiz/s/1489>

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growing source of such remittances to India in recent years. Such US origin remittances have been critical in helping balance both India's trade deficits and balance of payments situation, and have become even more important especially since the West Asia crisis has threatened the flow and sustainability of inward remittances from the Middle East and West Asia regions starting March 2026. The paper argues that India must urgently pursue long delayed strategic structural reforms as the way forward, primarily by building robust domestic high-tech employment sectors, diversifying export markets beyond the US toward the EU, UK, and RCEP (Regional Comprehensive Economic Partnership) member nations and expanding offshore operations while simultaneously managing the risks of potential political backlash.

## I. Background and context

### A. India's services exports

Indian services exports, valued at a record \$387.5 billion in 2024-25,<sup>2</sup> and \$418.31 billion in 2025-26 (a 7.98% increase over the previous year), far eclipse its "goods" exports.<sup>3</sup> The sector generated a significant trade surplus of \$213.89 billion in 2025-26, helping manage the Indian merchandise goods trade deficit.<sup>4</sup> They have been driven by continuous global demand for India's information technology (IT), business, financial and travel services (e.g. telecom, computer and information services, other business services, transport). These services areas have demonstrated consistent growth, making a significant contribution to India's economy (the country's total services exports were also up by 13.6% in fiscal year FY- 2024-25 from \$341.1 billion in FY 2023-24).<sup>5</sup> The Government of India aims to achieve USD 1 trillion in services exports by 2030 by providing increased policy support and investment in the sector.<sup>6</sup>

The US is by far India's major customer for such services, primarily through the purchase of software and IT-enabled and other professional services. Overall, Indian services were estimated to account for 60-65% of all Indian exports to the US in FY 2024-25, while "goods" accounted for around 20% of exports to the US in the same period.<sup>7</sup> This was before the 50% tariffs came into effect on August 27, 2025. In value terms, India's overall services exports totalled almost 5 times its goods exports to the US before September 2025 (both their percentage and importance significantly exceeded their pre-September 2025 levels after October 2025 when the practical impact of the US 50% import tariffs on "goods" began to be felt). It should be clear, therefore, that India's services exports have been very important for its economy for the last few decades and assumed even greater significance after the Trump Administration's 50% tariffs on goods, first imposed in August 2025. This remained the case when the US import tariffs were reduced to 18% as of February 6<sup>th</sup>, 2026 and to an interim 10% after the US Supreme Court ruling on February 20, 2026, pending final and formal completion of the USTR Section 301 investigation and implementation of its new proposed tariffs after July 24, 2026

<sup>2</sup> Ministry of Commerce and Industry (Government of India), 'India's Total Exports Touch All-Time High of USD 824.9 Billion in Financial Year 2024-25' (*Press Information Bureau*, 2 May 2025) <<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2126119>> accessed 12 June 2026.

<sup>3</sup> Ministry of Commerce and Industry (Government of India), 'The Cumulative Exports (Merchandise & Services) During FY 2025-26 (April-March) is Estimated at US\$ 860.09 Billion' (*Press Information Bureau*, 15 April 2026) <<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2252272>> accessed 12 June 2026.

<sup>4</sup> *ibid.*

<sup>5</sup> 'India's Total Exports Grow by 6.01% to Reach Record \$824.9 Billion in 2024-25, Up from \$778.1 Billion in 2023-24: RBI Report' *Press Information Bureau* (New Delhi, 2 May 2025) <<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2126119>> accessed 4 February 2026.

<sup>6</sup> 'Export Surge: India Steps Up on Global Stage' *Press Information Bureau* (New Delhi, 7 October 2025)

<<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2175702&reg=3&lang=2>> accessed 28 January 2026.

<sup>7</sup> *Press Information Bureau* [n 2].

when the interim tariffs are due to expire.<sup>8</sup> This assumes that the long-drawn India-US Bilateral Trade Agreement (BTA) negotiations have not concluded by then with a different reciprocal tariff structure mutually agreed.

## **B. India as an emerging global hub for global capability centres**

India's services industry and exports have also taken on additional national and global importance after the country began emerging as a hub for multinational company powered Global Capability Centres (GCCs) which have boosted exports in the "Other Business Services" category. While they are an important development for India, both because they are a recognition of its global competitiveness in this area and represent a silver lining in an otherwise challenging landscape for India's future services exports, their overall domestic employment impact is likely to be limited to a relatively few skilled professionals who would have found employment either in India or overseas in their absence. Hence, while they represent a significant new area of higher value-added global competitiveness for India and a source of potentially significant revenue, their overall employment impact should not be overstated, especially for average low-end, IT skilled Indian manpower.

## **II. Threats to India's Services Exports to the United States During Trump 2.0**

In this context, and looking into the future, there are at least two non-Artificial Intelligence (AI) related significant threats to the Indian services exports sector from the US during Trump 2.0. The jury is still out on AI's likely impact on India's software industry and exports in terms of their magnitude, despite the huge Sensex crash after predictions of severe AI related disruptions to this industry in early February 2026,<sup>9</sup> and more recent developments relegating India's stock market to fall behind both Taiwan and South Korea because of its lack of heft in the AI computing area.<sup>10</sup>

One of these two challenges has already become reality while the threat of the other remains credible in the longer term. Singly, together, as well as cumulatively over time, they will lead to serious consequences both for India's services exports and for the future structure of the Indian services sector, regardless of and in addition to any AI related disruptions and substitutions. Given the disproportionate dependence of the Indian economy on the services sector both for its gross domestic product (GDP) as well as its exports, especially to the US market which remains its main services export destination, all already discussed in this paper, it is wise to explore both these threats and the structural domestic reforms and changes they are likely to both necessitate and entail.

The two US Trump 2.0 real and potential threats to both India's services industry and exports are:

- The new US White House September 2025 (core Make America Great Again base pressured) H1B visa policy, announced through a Presidential Proclamation. It cannot, unfortunately, be legally argued that this proclamation is a violation of the WTO-GATS Mode 4 ("Temporary Entry and Stay of Natural Persons") since the US has made no commitments ("Unbound") on Market Access or National Treatment. In WTO parlance, this means that the US is not legally bound and can freely

<sup>8</sup> 'Fact Sheet: The United States and India Announce Historic Trade Deal', (The White House, 9 February 2026) <<https://www.whitehouse.gov/fact-sheets/2026/02/fact-sheet-the-united-states-and-india-announce-historic-trade-deal/>> accessed 11 June 2026; 'US Supreme Court rejects tariffs highlights | Government studying implications of US tariff, says Commerce Ministry' *The Hindu* (The Hindu Bureau, 21 February 2026 ) <<https://www.thehindu.com/news/international/us-supreme-court-rejects-president-donald-trumps-global-tariffs-february-20-2026-live-updates/article70657247.ece>> accessed 11 June 2026.

<sup>9</sup>Anupama Ghosh, 'Sensex, Nifty barely end in green after AI fears trigger IT stock crash' *The Hindu BusinessLine* (4 February 2026) <<https://www.thehindubusinessline.com/markets/it-stocks-crash-6-as-ai-fears-grip-markets-sensex-ekes-out-marginal-gains/article70591520.ece>> accessed 6 February 2026.

<sup>10</sup>Blaine Rodrigues, 'India File: India overtaken as South Korea, Taiwan ride AI wave' *Reuters* (9 June 2026) <<https://www.reuters.com/world/india/india-file-india-overtaken-south-korea-taiwan-ride-ai-wave-2026-06-09/>> accessed 10 June 2026.

impose restrictions on market access for workers from other WTO member states or discriminate against them compared to US citizens once inside the US.<sup>11</sup>

- Recently proposed Congress legislation, also backed by the MAGA core base, of taxing US back-office services provided by individuals and corporations based in India and other countries. Before this actually happens if it does, it would be wise to investigate whether this will be WTO-GATS Mode 1 compliant if enacted. This WTO obligation is about the cross-border provision of services.

A third more distant threat needs mention but is not as urgent to ponder, since its likelihood depends on how the US based subsidiaries of the big Indian tech companies respond to the H1B visa policy changes. This threat is of increased taxes on the Big Four Indian IT Companies which have US based subsidiaries: Tata Consulting Services (TCS), Hindustan Computers Limited (HCL), WIPRO and Infosys. Since the reported and ostensible reason for such threatened action is largely because of the substantial number of H1B visas these four companies have relied on to bring in low-end tech Indian staff from the home base, it is assumed that if the number of such visa requests now substantially reduces as they already had in recent years, even before the new US H1B September 2025 policy, that the possibility of this threat will also reduce.

This threat now appears even less likely after India provided a tax holiday for US and other data centers located in India through its February 1, 2026 Union Budget 2026-27. Nevertheless, nothing is impossible under the Trump 2.0 Administration and experience over the last year and a half has shown that it is better to take all his threats and those of his loyalist administration officials seriously. However, given the extreme unlikelihood of the third threat becoming reality in the foreseeable future, the rest of this paper will only focus and elaborate on the first two threats.

### A. US H1B Visas: Emerging Developments

President Trump announced significant policy changes to the H1B visa in September 2025.<sup>12</sup> As announced then, and before the very recent June 2026 US court ruling discussed below, these had and still continue to have (because the Government will no doubt appeal the court ruling) significant cost and compliance implications. The application payment requirements from the H1B visa requesting US employers were increased around twentyfold in September 2025: from around an average one-off application fee of \$5,000 per applicant to \$100,000.<sup>13</sup> These fees became effective and were to be paid by US-based employers applying for H1B visas for foreign nationals after September 21, 2025.<sup>14</sup> The new policy is being implemented by the US Citizenship and Immigration Services (USCIS). These new fees were applicable only to new filings starting on or after that date, not to existing holders who were out of the country on that date or those with valid H1B visas on that date when they reapply.

An important potential recent development is the invalidation of the \$100,000 fee by the federal district court in Massachusetts on June 8, 2026 which described it as a tax that the US Department of Homeland Security (DHS) is not authorized to levy since only the US Congress can approve taxes. It rejected the Trump Administration's argument that it is an immigration restriction related penalty

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<sup>11</sup>Ansari Salamah and R. Rajesh Babu, 'The H-1B Visa and US GATS Market Access Commitments: Options and Strategies for India', (2022) 13(1) IIM Kozhikode Soc. Manag. Rev. <<https://doi.org/10.1177/22779752221104930>> accessed 6 February 2026.

<sup>12</sup> 'Restriction on Entry of Certain Nonimmigrant Workers', (The White House, 19 September 2025) <<https://www.whitehouse.gov/presidential-actions/2025/09/restriction-on-entry-of-certain-nonimmigrant-workers/>> accessed 29 January 2026.

<sup>13</sup> 'H-1B FAQ', (US Citizenship and Immigration Services, 4 February 2025) <<https://www.uscis.gov/newsroom/alerts/h-1b-faq>> accessed 3 February 2026.

<sup>14</sup> *ibid.*

fee, calling it an unlawful tax.<sup>15</sup> Before Indians start celebrating this court ruling, a number of words of caution are in order.

First, a legal challenge from the Trump Administration is expected. It has 30 days to file an appeal and could simultaneously seek a stay of the ruling till its appeal is decided. If the stay is granted as is probable based on past experience during Trump 2.0, the ruling will not come into effect for at least a few months. Therefore, the huge fee, unpredictability and disincentive created by the September 2025 policy change will all remain for the foreseeable future.

Second, a lot of the damage has already been done. In the Indian case, professionals on H1B and Science, Technology, Engineering, Mathematics (STEM) Optional Practical Training (OPT) status which has been a traditional pathway to H1B visas, the two largest and most directly impacted categories of Indians by the new policy, have already felt the impact over the last nine months. This is because many employers became reluctant to sponsor foreign workers on H1B visas once the fee was announced last September. While fewer companies were willing to hire Indian nationals, H1B visa employee terminations simultaneously rose together with uncertainties for many laid off workers who had only 60 days to find another job. The negative consequences were particularly severe for workers who had already obtained their H1B visas but were laid off. Most were forced to leave the US. Moreover, for many of these people who had H1B visas but had lost their jobs and were forced to leave the US if they wanted to legally return to seek new employment, the fee was prohibitive since they would have had to pay the \$100,00 themselves without employer sponsorship. Many of them and their families were already in significant debt from unpaid student loans which they had hoped their new US-based professional salaries would help gradually repay.

Third, many H1B aspirants still in India who were planning to apply for this visa did not do so. An added disincentive and reason for this has been the simultaneous and accompanying visa stamping and processing delays which have reportedly significantly increased from before September 2025. These delays have left many professionals stranded in India, adding to mobility and employment uncertainties both for Indian workers and H1B service providers. Such uncertainties, delays, rejections and bureaucratic hurdles will remain, regardless of how the US courts finally rule on the fee issue since US Embassies, the US State Department and the US Department of Homeland Security (DHS) have full control over visa processing and approvals overseas and they have all been given explicit instructions by the Trump 2.0 Administration to reduce the number of new H1B approvals and even review and perhaps reject or at least delay approval stamps for those who have been granted in principle approval but need the visa stamped in their passport in their home country before they re-enter if they have had to leave the US for any reason.

Fourth, the fee, overall, has also suppressed demand for new H1B sponsorships for overseas citizens both from India and elsewhere and this is bound to continue till at least then end of 2026 despite the recent court ruling declaring the fee illegal, given the likelihood of a government appeal and stay order demand which will both lead to continuing uncertainty. The suppressed demand from US employers has also at least partly been because of the alternative local employment arrangements they have been forced to make, especially for entry and middle level H1B aspirant positions and those of previous H1B occupants who have either been laid off or encountered delays in India and other overseas locations in the processing of their visa stamps.

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<sup>15</sup> Kelly Phillips Erb, 'The \$100,000 H-1B Trump Fee Case Is Really A Tax Case', (*Forbes*, 9 June 2026) <<https://www.forbes.com/sites/kellyphillipserb/2026/06/09/the-100000-h-1b-trump-fee-case-is-really-a-tax-case/>> accessed 11 June 2026.

Fifth, OPT as a close to guaranteed route for many Indian students after graduation from US Universities has also been dramatically negatively impacted. This was a major pathway after graduation for H1B entry level, not just for STEM students but others as well.

The new policy has also signalled the replacement of the current H1-B lottery-based system with a more selective model from 2026. This favours more experienced and/or higher skilled/earning applicants. A proposal incorporating a 4-tier salary-based system was first placed on the table in 2020 during Trump 1.0 but was killed by the Biden Administration.<sup>16</sup> A somewhat modified version of it was reportedly resuscitated and approved by the White House Information and Regulatory Affairs Bureau in early August 2025 prior to being approved by President Trump on September 19, 2025 through his new H1B visa policy Proclamation entitled Restrictions on Entry of Certain Nonimmigrant Workers.<sup>17</sup> The White House cited national security grounds and the Proclamation was presented as only an initial step to reform the H-1B non-immigrant visa program.

The proposed tiered salaried based system for the modified H1B speciality occupations is based on the US Department of Labor's (DOLs) Occupational Employment and Wage Statistics (OEWS) survey. The wage is broken down into four tiers (Levels 1-4) based on the education, experience and complexity required for the job. Level 1 is Entry Level for which the baseline wage is provided. Level 2 (Qualified) is for moderately complex jobs, Level 3 (Experienced) for fully competent professionals and Level 4 (Fully Competent) covers high level, senior roles requiring advanced skills, complex problem-solving and significant experience.<sup>18</sup>

The USCIS utilizes a wage-weighted selection process for the H1B cap, implying that a candidate's registration weight depends directly on their OEWS wage level. Under this system, Level 4 salaries receive 4 lottery tickets, level 3, three; level 2 two; and level 1, only one.<sup>19</sup> Moreover, employers are required to pay whichever is higher: the OEWS prevailing wage for the specific Standard Occupational Classification (SOC) in the intended work area or the actual wage paid by the employer to other employees in the organization.<sup>20</sup>

This is particularly significant for India and its citizens interested in going to the US through the H1B lottery because they have dominated this category of US visas since at least 2010, if not longer. Of the total annual cap of approximately 85,000 such visas in recent years, (the cap excludes a few exceptional categories such as university professors which do not have a cap), the Pew Research Foundation estimated that approximately 73% such visa-approvals in 2023 were issued to Indians, especially in the STEM fields, making them both the most significant and visible recipients by far with China coming a very distant second.<sup>21</sup>

The proposed new high income-based tier-system will also work against the bulk of Indian professionals and students because they are either straight out of post-graduate education or relatively early in their careers and earn lower salaries than senior US hires. Indeed, the vast majority

<sup>16</sup> Leslie Demon, 'The Biden Administration Is Already Supporting Employment-Based Immigration, But Uncertainty Remains', (*American Immigration Council*, 5 February 2025) <<https://www.americanimmigrationcouncil.org/blog/business-immigration-h1b-biden/>> accessed 3 December 2026.

<sup>17</sup> *The White House* [n 13].

<sup>18</sup> Improving Wage Protections for the Temporary and Permanent Employment of Certain Foreign Nationals, 91 FR 15450 (27 March 2026).

<sup>19</sup> *Weighted Selection Process for Registrants and Petitioners Seeking To File Cap-Subject H-1B Petitions*, 90 Fed Reg 45986 (24 September 2025).

<sup>20</sup> 'Prevailing Wage Information and Resources', (*US Department of Labour*) <<https://www.dol.gov/agencies/eta/foreign-labor/wages>> accessed 11 June 2026.

<sup>21</sup> Carolyne Im, Alexandra Cahn and Sahana Mukherjee, 'What we know about the US H-1B visa program', (*Pew Research Center*, 4 March 2025) <<https://www.pewresearch.org/short-reads/2025/03/04/what-we-know-about-the-us-h-1b-visa-program/>> accessed 4 February 2026.

of Indians would probably fit into the Level 1 or 2 tiers (eg. recent graduates, IT coders) which is the focus of the greatest pressure from MAGA and the Trump Administration for replacement by local US hires. These are also, by definition, the two categories in which US citizen replacements for young Indian IT and other professionals are likely to be found more easily and quickly.

The September 2025 H1B policy shift cannot be understood without recognizing that the roll-back of the H1B visa system has been an ongoing major issue in the context of the broader anti-immigration push which has been a core issue for the Trump MAGA base since even before Trump 1.0. However, it became increasingly politically charged in August and September 2025 and has remained so even after the September 2025 Presidential Proclamation.

Quotes in August 2025 from prominent Republican figures who have been long-standing supporters of Trump, illustrate this. The US Commerce Secretary, Howard Lutnick, who has been and continues to be integrally involved in the overhaul of the H1-B program called it a “scam” telling US-based businesses that they should be focused on hiring American workers instead of foreigners.<sup>22</sup> Florida Governor Ron De Santis “echoed” Lutnick by calling it a “cottage industry” benefiting Indian workers.<sup>23</sup> Marjorie Taylor Greene, a key Republican MAGA Congresswoman (who more recently, in November 2025, had a falling out with the President on the matter of the release of the explosive and damning Epstein files but it still hard-core MAGA) also called for ending H1-B visas, portraying Indian workers as taking American jobs.<sup>24</sup>

More broadly, foreign talent continues to be framed as a threat to American jobs by core MAGA supporters who have particularly singled out Indians in the US whom they accuse of “cheap labour under cutting.” This Trump base has simultaneously been promoting a “Hire America” policy, reinforcing anti-immigrant sentiment. In August, this was exacerbated by Trump’s warnings to Silicon Valley companies not to hire Indians despite widespread knowledge in the tech world that such action would be self-defeating, for both the US’ tech industry and its economy. The difficulty of separating Indian high-tech talent from American high-tech innovation, in both start-ups and BigTech, has been widely acknowledged over the last several decades, even by the likes of Elon Musk.<sup>25</sup> This continues, including for the US’ high techAI companies. Indeed, many of these professionals have been and continue to be central to American’s tech and innovation sectors, powering everything from Silicon Valley start-ups to critical infrastructure products. This is well known to Elon Musk and, perhaps, even to President Trump, given some of his statements.

Notwithstanding this, and because the politicized and polarized political environment on this in the US is worsening in many respects, the livelihoods and security of millions of skilled Indian professionals and their families stand threatened.

As a result, the statements mentioned above could not and still cannot be dismissed as just fiery rhetoric, especially given the high profile MAGA proponents of these views. They must be viewed as dangerous words which could quite easily translate into both physical harm and discriminatory

<sup>22</sup> Arjun Sengupta, ‘Explained: The H-1B visa debate in the US’, (*The Indian Express*, 28 August 2025) <<https://indianexpress.com/article/explained/explained-economics/explained-the-h-1b-visa-debate-in-the-us-10215185/>> accessed 4 February 2026.

<sup>23</sup> Times of India World Desk, ‘Republican Governor slams H1-B, India’ *Times of India* (New Delhi, 27 August 2025) <<https://timesofindia.indiatimes.com/world/us/cottage-industry-mostly-from-one-country-republican-governor-slams-h-1b-india/articleshow/123546085.cms>> accessed 30 January 2026.

<sup>24</sup> Surbhi Gloria Singh, ‘H-1B visa must end? Even US’ AI needs ‘brown hands’, says tech entrepreneur’ *Business Standard* (New Delhi, 7 August 2024) <[https://www.business-standard.com/immigration/h-1b-visa-must-end-even-us-ai-needs-brown-hands-says-tech-entrepreneur-125080700806\\_1.html](https://www.business-standard.com/immigration/h-1b-visa-must-end-even-us-ai-needs-brown-hands-says-tech-entrepreneur-125080700806_1.html)> accessed 1 February 2026.

<sup>25</sup> Shashank Bhatt, ‘Trump’s “No More India Hiring” Ultimatum: What It Means for India-US Tech Ties’ *Outlook Business* (New Delhi, 25 July 2025) <<https://www.outlookbusiness.com/explainers/trumps-no-more-india-hiring-ultimatum-what-it-means-for-india-us-tech-ties>> accessed 30 January 2026.

workplace practices not just for Indian H1B visa holders in the politically charged and socially and racially divisive climate which currently prevails in the US, but also for Indian Americans more broadly. Sporadic, still random, physical attacks on Indians such as one in Texas in October 2025 illustrate this.<sup>26</sup>

While not the cause, it should be accepted and recognized that this growing anti-India and anti-immigrant narrative in the US has, unfortunately, been reinforced and fuelled by Indian self-congratulatory boasts, including at the highest Indian official levels, about how many Indian-origin American CEOs of Fortune 500 and Silicon Valley BigTech companies began their careers on H1-B visas, either before or after their post-graduation OPT.

There has always been a split and multiple contradictions between the white working class MAGA and techno-feudalist bases of President Trump, not just on the H1B visa issue, but on many other issues. While the split on the H1B visa policy was papered over initially till the September 19 Proclamation had taken place, the implications of the new policy now appear to be widening the split in President Trump's loyalist support base, with techno-feudalists such as Elon Musk supporting the continuation of H1B visas and many Republican supporting US companies opposing the steep \$100,000 fee. In the case of Musk, for example, his opposition stems from the fact that the H1B visa has benefited both him personally and his companies which it continues to do.<sup>27</sup>

While President Trump vacillated on the H1B visa issue for months both before and after his September Proclamation, strangely, he came out more publicly in favour of continuing H1B visas soon after signing the Proclamation which drastically constricts and alters the H1B system. He was reported as saying that many such visa holders at all salary levels play crucial roles in the US economy and that there are no American workers qualified enough to replace them, debunking the MAGA quest for such jobs even at tier Levels 1 and 2.<sup>28</sup> This has further angered the white working-class part of his MAGA base who are being told that most of them cannot be trained to take such IT or AI jobs. However, President Trump's and his loyalists' support for the new H1B policy would also have been because of the huge \$100,000 fee he imposed. Now that this is in jeopardy due to the recent federal court ruling on June 8, 2026, the world will have to wait and see how the US President and his team react, both in their court appeal against the ruling and more broadly.

## **B. Taxing Off-Shore Service Provision to the US**

The second Trump 2.0 focus area mentioned in this paper suggests that the offshoring backlash is growing stronger among the MAGA core base in the US, and will continue to grow, especially if increased offshoring in India and elsewhere (e.g. to Canada or parts of SE Asia) through Global Capability and data centers increases as a direct response to the September 2025 H1B policy change. Indeed, there is already proposed legislation in the US Congress to make such off-shoring more expensive and less attractive to US based companies and consumers who benefit from it.

In 2025, the HIRE (Halting International Relocation of Employment Act) was proposed by Republican Senator Bernie Moreno (Ohio) as legislation in the Finance Committee of the US Congress. The

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<sup>26</sup> Shweta Sharma, 'Texas man arrested for fatal shooting of Indian student during violent rampage' *The Independent* (Hyderabad, 8 October 2025) <<https://www.independent.co.uk/news/world/americas/crime/texas-fort-worth-chandrashekar-pole-indians-shooting-b2841419.html>> accessed 3 February 2026.

<sup>27</sup> Press Trust of India, 'Elon Musk backs H-1B visas, says US benefited immensely from talented Indians' *The Economic Times* (New Delhi, 1 December 2025) <<https://economictimes.indiatimes.com/tech/tech-bytes/elon-musk-backs-h-1b-visas-says-us-benefited-immensely-from-talented-indians/articleshow/125684945.cms>> accessed 2 February 2026.

<sup>28</sup> Zoe Richards, 'Trump calls H-1B visas necessary to bring in 'certain talents' that he says the US lacks' *NBC News* (12 November 2025) <<https://www.nbcnews.com/politics/immigration/trump-calls-h-1b-visas-necessary-bring-certain-talents-says-us-lacks-rca243367>> accessed 31 January 2026.

proposed Act seeks to place a 25% excise tax on US companies who are paying foreign service providers for outsourced services for work benefiting US-based consumers.<sup>29</sup> No tax deductions are proposed on such payments or fees. The objective is to make such services more expensive and thereby force US companies to hire domestically. Tax revenues earned by the US government in this manner are proposed to be utilized through a new fund which is proposed to be established to fund a domestic worker training program.<sup>30</sup>

The Act frames cross-border service purchases as a problem to be taxed, not just regulated. The proposed Act is expected to apply to foreign affiliates of US companies as well as third-party vendors. In addition to the tax legislation, it is expected that the US government's procurement policy will steer demand towards domestic service providers in a "Buy American" consistent preference policy based on executive actions which determine how federal agencies reshape their purchases of services.

The proposed Act does not bind restrictions on offshore purchases but places tax levies on such offshore services. The proposed Act has been opposed by many US business interests and will undermine some US-India tech plans, if approved. As a result, it has faced an uphill battle in the US Congress so far, making little if any progress, as of mid-2026, at the time of writing. This indicates a proposal without significant legislative momentum (lacking co-sponsors or companion bills in the US Congress) and is yet to move out of the Senate Finance Committee. Indeed, its slow legislative path indicates that it will not pass quickly, if at all.

Nevertheless, it would be wise for Indian companies and the Government of India to monitor future developments in this regard closely and carefully since if it is passed, it will significantly affect India's IT and BPO sectors which rely heavily on US contracts and companies.<sup>31</sup> If enacted, it is estimated that the financial penalties could increase the effective cost of outsourcing by up to 46-58%, significantly affecting the US IT and business services which rely heavily on outsourcing, not least to India, even though the broad wording of the current proposed legislation makes it unclear whether intra-company operational expenses, such as the funding of foreign subsidiaries of US firms and GCCs will be covered by it.<sup>32</sup>

### **C. Implications for India and Indians in the US of the new US H1B Policy and a Possible HIRE Act and Possible Ways Forward**

Despite the recent federal court ruling against the \$100,000 H1B visa fee, the September 2025 Presidential Executive Order has created an uncertain environment for Indian STEM student professionals in the US for whom the H1B visa has been the traditional path to a lucrative and secure career in the US thus far. The H1B visa was also the well-trodden path for "brain circulation" for many Indians. It benefited both them and, to an extent in certain cases, the country as a whole. Neither is now clearly going to be the case going forward, leaving many students who have already embarked on tertiary education in the US propelled by significant loans with a huge burden of debt for them and their families to repay through unknown means - in addition to an uncertain future career path in India or elsewhere. Furthermore, India as a whole will not benefit from the investment, intellectual, knowledge and experience value that the H1B "brain circulation" paradigm has provided the country so far.

<sup>29</sup> Halting International Relocation of Employment Act, s 2(a).

<sup>30</sup> *ibid.*

<sup>31</sup> Deloitte Development LLC, '2025 Deloitte's Global Business Services (GBS) Survey' (2025), <<https://www.deloitte.com/content/dam/assets-zone3/us/en/docs/services/2025/us-2025-deloitte-global-business-services-survey-results.pdf>> accessed 3 February 2026.

<sup>32</sup> Maureen Monaghan, 'HIRE Act Proposes 25 Percent Excise Tax on Outsourcing Payments' (*Cullen & Dykman LLP*, 7 October 2025) <<https://www.cullenllp.com/blog/hire-act-proposes-25-percent-excise-tax-on-outsourcing-payments/>> accessed 12 June 2026.

The new H1B policy also has significant negative implications for remittances to Indian families from their US based sons and daughters on which many rely, even though this will be felt gradually, not necessarily immediately. Significantly reduced inward remittances will also negatively impact the Indian government's macroeconomic balances and stability since such remittances have played an important role in counter-acting India's overall chronic trade deficits and balance of payments (BoP) challenges over the years.

Recent estimates indicate that India remained the world's top remittance recipient in 2024, a position it has held for over 25 years, with remittances from the US being particularly prominent in recent years.<sup>33</sup> State Bank of India (SBI) research projects overall Fiscal Year (FY) 2026 remittances to be between \$137-140 billion, up substantially from FY 2024 when they were estimated to be US\$ 118.7 billion.<sup>34</sup> The US has recently been the single largest source of remittances to India, accounting for 27.7% of total inward remittances in FY 2024. Its share has also been increasing fast since it rose significantly in just three years in FY 2021 when it was 23.4%.<sup>35</sup>

This largely represents remittances from the high-skilled, high-wage Indian diaspora there, including those on H1B visas, who contribute substantially more per person than lower skilled labour in Gulf countries, which has been the traditional major source of most inward remittances to India. A significant reduction in both the number of US based professionally skilled H1B Indians and their till now growing per capita remittances in future fiscal years will have an outside, disproportionate negative impact on India's balance of payments at the worst possible time for an already struggling economy as a result of both the West Asia/Gulf crisis and a significant depreciation of the Indian rupee. Remittances normally go up when the Indian rupee depreciates to compensate for its lower USD equivalency, but this likely will not happen over the next few years. It will also be harder to balance India's growing trade deficits which have traditionally relied on inward remittances to close the gap.

If professional Indian migration to the US slows (eg. H1B visa reductions and delays, Green Card delays whose backlogs have lengthened), the largest single relatively high-skill migration corridor that India and its citizens have globally relied on till now will suffer strong, negative, structural headwinds over a multi-year horizon. There will also be a significant negative impact on both the granting of student visas and new Indian enrolment in the US for both undergraduate and post-graduate education. This will partly occur because of an unwillingness on the part of many students to apply, especially those who had planned to go to the US to study STEM and join the US tech industry. While the true impact of this will take years and maybe a decade or more to be really felt, data for 2025 already suggested a significant drop in both US student visas and enrolment for the Fall Semester 2025.<sup>36</sup> New international student enrollments in the US (not just from India) are estimated to have dropped significantly (down between 9-20%) for Fall 2026 due to tighter visa

<sup>33</sup> Dilip Ratha, Sonia Plaza and Eung Ju Kim, 'In 2024, Remittance Flows to Low- and Middle-Income Countries are Expected to Reach \$685 Billion, Larger than FDI and ODA Combined' (*World Bank Blogs*, 18 December 2024) <<https://blogs.worldbank.org/en/peoplemove/in-2024--remittance-flows-to-low--and-middle-income-countries-ar>> accessed 2 February 2026; Migration Data Portal (IOM GMDAC), 'Remittances' (*migrationdataportal.org*, 2024) <<https://www.migrationdataportal.org/themes/remittances-overview>> accessed 12 June 2026.

<sup>34</sup> Reserve Bank of India, *Sixth Round of India's Remittances Survey 2023-24* (RBI Monthly Bulletin, March 2025); ANI, 'India's Remittances to Reach Record USD 140 Billion in FY26: SBI Research' (ANI News, 10 April 2026) <<https://aninews.in/news/business/indias-remittances-to-reach-record-usd-140-billion-in-fy26-sbi-research20260410151511/>> accessed 12 June 2026.

<sup>35</sup> *ibid.*

<sup>36</sup> Julie Baer and Sumerya Ekin, 'Fall 2025 Snapshot on International Student Enrolment', (*Institute of International Legal Education*, November 2025) <[https://iie.widen.net/s/xd9xrstf6q/iie\\_fall-2025-snapshot\\_full-report](https://iie.widen.net/s/xd9xrstf6q/iie_fall-2025-snapshot_full-report)> accessed 27 January 2026.

policies and changing US immigration laws.<sup>37</sup> Indian student enrollment in the US has also shifted significantly. According to the data shared in the Indian Parliament by the Minister of External Affairs, the total number of Indian students in the US dropped by 6.9%, falling to 352,644 by February 2026, down from 378,787 in 2025.<sup>38</sup> This drop was linked to stricter immigration rules and expanded screenings by the Trump 2.0 Administration, with the 2025-26 academic year marking the sharpest year-on-year drop in Indian student enrolment in the US and F-1 student visa approvals in over a decade.<sup>39</sup>

Through crisis comes opportunity and India and Indians will need to try and turn the emerging situation into one through appropriate domestic reforms. The first challenge and strategy will be for the Indian government to do what governments should have done many decades earlier. They will need to urgently build a much more conducive and enabling, well-resourced academic, research and high-tech services employment sector environment for students finishing high school. This should seek to address three current deficiencies: it should stem the increasing flow of students to the US, UK, Europe, Canada, Australia, Singapore and elsewhere at undergraduate level; it should create a conducive, well remunerated academic and high tech environment for jobs after graduation which will retain India's top talent in the country; and it should lure highly qualified Indians and Indian Americans, both in high tech industry and in top academic institutions already in the US and elsewhere back to their home country or country of origin to contribute directly to its economy and high tech industry.

Creating the conditions for all these three objectives to be realized, especially top-class universities with full freedom to do globally cutting edge research in high-tech is a formidable ask and will not be easy, both given the limited resources prioritized by the government and private sector for R&D as a percentage of GDP and the current political environment in the country which has led to both controls on free speech by the Government on many Indian and Indian origin academics and Universities (with some academics being incarcerated without trial and Overseas Citizen of India (OCI) cards of Indian origin foreign academics being cancelled in some cases) and self-censorship by Universities out of fear of reprisal.

However, it is essential that India treats doing so as a top priority so as to enable our best Indian citizens and Indian origin American and other nationality IT, STEM and social sciences talent to return to India or stay home rather than migrate or shift to Canada, Europe, Australia or even China.<sup>40</sup> Many of these countries have established new visa programs to attract highly qualified individuals who no longer feel welcome in the US (e.g. China's K-visa, the UK and Canada's special openness to H1B visa holders in the US who wish to leave).<sup>41</sup>

In this context, the EU-India 2016 Common Agenda on Migration and Mobility (CMM), newly strengthened by a January 2026 landmark pact to ease movements for students, researchers and professionals which was agreed as a foundational part of the broader EU-India strategic partnership

<sup>37</sup> Laura Spitalniak, 'The state of international enrollment in 6 charts' (*Higher Ed Dive*, 8 June 2026) <<https://www.highereddive.com/news/the-state-of-international-enrollment-in-6-charts/821753/> accessed on 12 June 2026.

<sup>38</sup> Press Trust of India, 'Indian students enrolment to US institutions drops by 6.9%: Govt in RS' *The Economist* (New Delhi, 2 April 2026) , <https://economictimes.indiatimes.com/nri/study/indian-students-enrolment-to-us-institutions-drops-by-6-9-govt-in-rs/articleshow/129980834.cms?from=mdr> accessed on 12 June 2026.

<sup>39</sup> *ibid.*

<sup>40</sup> Fabian Grimm and Francesco Farne, 'Global talent finds new homes as the US loses its pull', (*IMD World Competitiveness Centre*, 31 September 2025) <<https://www.imd.org/ibyimd/talent/global-talent-finds-new-homes-as-the-us-loses-its-pull/> accessed 4 February 2026.

<sup>41</sup> Eduardo Bapista, 'China's new K visa beckons foreign tech talent as US hikes H-1B fee', Reuters (Beijing, 29 September 2025) <<https://www.reuters.com/sustainability/sustainable-finance-reporting/chinas-new-k-visa-beckons-foreign-tech-talent-us-hikes-h-1b-fee-2025-09-29/> accessed 26 January 2026.

which includes, but is distinct from although parallel to, the EU-India Free Trade Agreement (FTA) which concluded in January 2026 should be welcomed.<sup>42</sup>

While the January 2026 update to CAMM is a step in the right direction, neither it or the possible elimination of the \$100,000 H1B visa fee should be viewed either as a convenient or an easy way out of the US H1B crisis, or even a short-term alternative. In the CAMM case this is because the FTA is still an “intent” and will not come into force for at least a year. In addition to a number of bureaucratic processes on both sides which remain incomplete, as well as formal endorsement by all 27 members of the EU, it also requires European Parliament endorsement which will not be straightforward or easy, especially in migration and mobility areas. While CAMM focuses on facilitating regular migration, offering “uncapped” mobility for Indian students, and managing irregular migration through a partnership approach,<sup>43</sup> both the Indian government and Indian citizens would be wise to be well aware of the deep-rooted and long-standing anti-migration sentiment in a large number of European countries which has only strengthened recently as a result of the growth of the far-right Make Europe Great Again (MEGA) movement across both Western and Eastern Europe which has been supported and encouraged by MAGA and President Trump and his Administration.<sup>44</sup>

These anti-migrant sentiments are the cause of and are reflected in the very recently approved European Union (EU) landmark Pact on Migration and Asylum which took effect on June 12, 2026. It overhauls the EU's border management, asylum processing and member-state responsibility sharing arrangements, tightening them. The legislation consists of 10 interconnected laws that introduce several major changes covering mandatory border screening (identity, security, health), accelerated asylum procedures including removals of failed applicants and crisis rules.<sup>45</sup>

A second challenge and strategy needed to address the Trump 2.0 induced challenges to the Indian services sector as a whole is the urgent diversification of markets to reduce its export dependency on the US market. This should particularly prioritize Canada, the European Union, United Kingdom (UK), China, East and Southeast Asia, Australia and New Zealand, in addition to India reconsidering its mistaken decision not to be a founding member of the Regional Comprehensive Economic Partnership (RCEP) in 2020, a strategic blunder which India will come to regret.<sup>46</sup> In this context, the recently agreed UK, New Zealand and EU FTAs with India should be welcomed and actively implemented as early as possible even though they are poor substitutes for not joining the RCEP, and even though the EU FTA will take at least a year to be formally put in place for the reasons already indicated.<sup>47</sup>

<sup>42</sup> Press Trust of India, 'India, EU seal landmark mobility pact; Indian professionals, students set to benefit', *Economic Times* (27 January 2026) <<https://economictimes.indiatimes.com/nri/study/india-eu-seal-landmark-mobility-pact-indian-professionals-students-set-to-benefit/articleshow/127642725.cms?from=mdr>> accessed 6 February 2026.

<sup>43</sup> ET Online, 'India-EU FTA: EU commits to uncapped mobility for Indian students', *Economic Times* (27 January 2026) <<https://economictimes.indiatimes.com/nri/study/india-eu-mobility-pact-aims-to-ease-movement-of-indian-students/articleshow/127607591.cms>> accessed 3 February 2026.

<sup>44</sup> David Latona, 'Orban, Le Pen hail Trump at far-right 'Patriots' summit in Madrid', *Reuters* (Madrid, 9 February 2025) <<https://www.reuters.com/world/europe/orban-le-pen-hail-trump-far-right-patriots-summit-madrid-2025-02-08/>> accessed 6 February 2026.

<sup>45</sup> European Commission, 'Questions and Answers on the Pact on Migration and Asylum' (MEMO/26/1286, 10 June 2026) <[https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_26\\_1286](https://ec.europa.eu/commission/presscorner/detail/en/qanda_26_1286)> accessed 14 June 2026.

<sup>46</sup> Aditi Ray Chowdhary, 'India May Consider Re-joining RCEP: What's Pushing India's Comeback to the Trade Bloc After 5 Years?' (*Outlook Business*, 21 August 2025) <<https://www.outlookbusiness.com/economy-and-policy/india-may-consider-re-joining-rcep-whats-pushing-indias-comeback-to-the-trade-bloc-after-5-years>> accessed 6 February 2026.

<sup>47</sup> 'India – New Zealand Free Trade Agreement: One of India's fastest-concluded FTAs' (*Press Information Bureau*, 22 December 2025) <<https://www.pib.gov.in/PressNoteDetails.aspx?id=156654&NotelId=156654&ModuleId=3&reg=3&lang=1>> accessed 6 February 2025.

While it will not be easy to replace the US market for Indian services, given both India's high dependency for services exports into that market and the continuing dominance of the US in high-tech sectors, the India-US BTA covers mainly goods not services, and while some service concessions on India's part have been demanded and conceded by India, the proposed BTA remains an unlikely route for India to get either a reversion of US H1B visa policies or other service concessions from the US for reasons discussed later in this paper. It is essential, therefore, that India implements such a services export diversification strategy for the medium to long-term. Indeed, it was short-sighted not to have done so over the last decade.

A third challenge and strategy is to prioritize more off-shoring from India itself. The success of this will significantly depend on the success of some elements of the first set of strategies since it will require the creation of a much more enabling employment, research and tech environment in India. Expanding the number and roles of India's GCCs will be a critical element of this strategy.

### III. Services in the India-US Bilateral Trade Agreement (BTA) Negotiations

Digital Trade and services have not featured centrally in the ongoing protracted India-US BTA negotiations because of its focus on "goods," not services. Nevertheless, as the Indian Union Budget announcements for both Fiscal years 2025-26 and 2026-27 have explicitly shown and the February 6, 2026 United States-India Joint Statement issued by the US White House even further indicates,<sup>48</sup> trade in services has crept into the BTA itself and is expected to be covered further in subsequent BTA clarifications over the next few months, but largely in the US' favour.

In the services trade context, the US has been pushing for greater access to Indian data, challenging India's strict data localisation norms which require such data to be stored within the country. This was a major source of friction between India and the US during Trump 1.0 and in anticipation of US pressure and retaliation during Trump 2.0 which began on January 20, 2025, India pre-emptively eliminated its 6% Equalisation Levy, colloquially termed the "Google Tax", on payments exceeding Rs 1 lakhs (approximately USD 1050) per annum to a non-resident services provider for online advertisements effective April 2025 (i.e. this refers to the equalization levy on online digital ads in force since 2016). This was part of India's amendments to the Finance Bill 2025.<sup>49</sup> This concession to the US in the services area was reinforced in the most recent Union budget announcement of February 1, 2026 in which Union Finance Minister Nirmala Seetharaman announced a 20-year tax holiday till 2047 for foreign companies which provide cloud services globally.<sup>50</sup> This will only be available for foreign companies who have established a MeitY-notified data center in India for whose global income there will henceforth, no longer be any risk of taxation in India.<sup>51</sup> This will disproportionately benefit US companies working in this area and is consistent with one of the US's demands in the still under (protracted) negotiation BTA.

<sup>48</sup> Briefings and Statements, 'United States-India Joint Statement', (*The White House*, 6 February 2026) <<https://www.whitehouse.gov/briefings-statements/2026/02/united-states-india-joint-statement/>> accessed 6 February 2026.

<sup>49</sup>Aftab Ahmed and Manoj Kumar, 'India to scrap digital ad tax, easing US concerns' *Reuters* (New Delhi, 25 March 2025) <<https://www.reuters.com/world/india/india-proposes-remove-equalisation-levy-digital-services-government-source-says-2025-03-25/>> accessed 4 February 2026.

<sup>50</sup> Aditi Shah and Dhvani Pandya, 'India gives 20-year tax holiday to foreign firms using local data centres' *Reuters* (New Delhi, 1 February 2025) <[https://www.reuters.com/world/india/india-gives-20-year-tax-holiday-foreign-firms-using-local-data-centres-2026-02-01/#:~:text=Those%20concerns%20were%20set%20to,data%20centre%20services%20from%20India.%22](https://www.reuters.com/world/india/india-gives-20-year-tax-holiday-foreign-firms-using-local-data-centres-2026-02-01/#:~:text=Those%20concerns%20were%20set%20to,data%20centre%20services%20from%20India.%22>)> accessed 6 February 2026.

<sup>51</sup> Press Trust of India, 'No tax risk for foreign companies setting up data centres in India under new Budget proposal: Finance Ministry sources', *Economic Times* (4 February 2026) <<https://economictimes.indiatimes.com/nri/study/india-eu-mobility-pact-aims-to-ease-movement-of-indian-students/articleshow/127607591.cms>> accessed 6 February 2026.

Despite delays, negotiation suspensions and confusion in the India-US BTA, made even more complicated in the second week of June 2026 after three Indian civilian sailors were killed by the US navy on a commercial ship near the Hormuz Straits and Gulf of Oman, discussed in more detail below, these unilateral Indian concessions to the US have now already been made and enshrined and implemented through the Union Budget 2026-27. There is, therefore, no going back on them.

While the tentative conclusion of the BTA was prematurely announced shortly after the 2026-27 Union Budget announcement in early February 2026,<sup>52</sup> it has not, in fact, concluded. Furthermore, the US Supreme Court ruling, later in February 2026, declaring Trump's unilaterally imposed tariffs across the world under the US' 1977 International Emergency Economic Powers Act (IEEPA) a tax and, therefore, illegal because Congress had not approved them,<sup>53</sup> upended and effectively overruled not just the Trump Administration's illegal tariffs but the India-US BTA and many other country trade agreements with the US which were essentially based on the illegal tariffs.

The BTA has been in the doldrums for many months since February 2026 as a direct consequence of the US Supreme Court ruling and has yet to be revived and successfully concluded. While countries such as Malaysia backed out of their BTA with the US, India indicated it would continue to negotiate. After the ruling, the Trump Administration went back to a temporary flat across-the-board 10% tariff under Section 122 of the US Trade Act of 1974. However, these new tariffs are allowed to be levied by Presidential authority only as an interim, temporary measure and they are set to expire on July 24, 2026.

Recognizing that, the United States Trade Representative (USTR) simultaneously started a two-part Section 301 investigation under the 1974 US Trade Act. The first part prioritized 16 major economies including China and India, accusing them of structural manufacturing overcapacity while the second part focuses on the enforcement of labour standards and covers 60 countries, also including China and India, accusing them of not enforcing labour standards against forced labour.

The investigation on the first part had not concluded as of the time of writing, and no new levies or specific tariffs have been finalized or imposed. Nevertheless, the probe is actively examining state policies, industrial subsidies and government interventions in 16 countries which include India. It focuses on key manufacturing sectors such as aluminium, steel, semiconductors, solar modules, automobiles, textiles and chemicals.

The USTR report on the second part evaluates whether the targeted nations are doing enough, in its view, to prevent the flow on the production of what the US regards as forced-labour goods which pose compliance risks for importers and global supply chains. This part of the USTR investigation concluded on June 2, 2026 and determined that most of these countries including India failed to effectively enforce or adopt import restrictions on forced-labour goods, resulting in two proposed tiers of additional ad valorem tariffs: 12.5% additional duties have been proposed for 54 countries, including India, which are deemed to have failed in adopting or enforcing adequate forced-labour import restrictions while 10% additional duties are proposed for 6 economies, including Pakistan,

<sup>52</sup> T.C.A Sharad Raghavan, 'India-US trade deal: Joint statement in 'four to five days', legal agreement by mid-March, says Piyush Goyal' The Hindu (New Delhi, 5 February 2025) <<https://www.thehindu.com/business/india-us-trade-deal-piyush-goyal-tariffs-joint-statement-legal-agreement/article70594904.ece>> accessed 6 February 2026.

<sup>53</sup> Congressional Research Service, 'Supreme Court Rules Against Tariffs Imposed Under the International Emergency Economic Powers Act' (Congress.gov, 23 February 2026) <<https://www.congress.gov/crs-product/LSB11398>> accessed 12 June 2026.

Indonesia and Mexico, that the USTR says have adopted partial bans or have trade agreement-based commitments to the US on this but have failed to implement them effectively.<sup>54</sup>

Instead of levying retaliatory tariffs, India's first preference will be to avoid the levies entirely by presenting the country's legal framework on forced-labour regulation to the USTR during the ongoing BTA negotiations. If this does not persuade the USTR, India will, no doubt, at a minimum, seek to transition to the second category of countries through the India-US BTA.

The BTA's conclusion has now been further complicated politically not only by the Section 301 investigations against India but even more recently, starting June 10, 2026 by the killing of three civilian Indian sailors by the US navy near the Hormuz Straits and Gulf of Oman as well as its repeated missile attacks against at least two other commercial tankers or ships with Indian civilian sailors on board.<sup>55</sup> These attacks to enforce the US' unilateral blockade of Iranian ports and oil forced India to lodge formal protests to the US government and Trump Administration, first, twice, through the US Charge D'affairs (CDA) in New Delhi in the absence of the US Ambassador and then, on June 12, directly by phone from Finland by India's External Affairs Minister Jaishanker with his US counterpart, Secretary of State Marco Rubio.<sup>56</sup> The matter remains unresolved, however, and is at a difficult impasse, having been further exacerbated by the US Secretary of State Marco Rubio's firm response to the Indian Minister, categorically and publicly proclaiming that all commercial vessels in that area must immediately comply with directives issued by US forces and no deviations from this instruction would be tolerated by it.<sup>57</sup>

In the meanwhile, the USTR has already proposed new tariffs ranging from 10-12.5% on the 60 countries to take effect immediately on the expiry of the current levies on July 24, 2026. Public comments for these proposed Section 301 tariffs are being accepted till July 6, 2026 with hearings set for the next day. India has already been found guilty of unfair trade practices by the USTR.<sup>58</sup>

Going back to services exports to the US and the February 6, 2026 Interim Framework Agreement for the India-US BTA announcement by the US White House, India has already agreed to also "...eliminate restrictive import licensing procedures that delay market access for, or impose quantitative restrictions on US Information and Communications Technology (ICT) goods...." and "the United States and India commit to address discriminatory or burdensome practices and other barriers to digital trade and to set a clear pathway to achieve robust, ambitious and mutually beneficial digital trade rules as part of the BTA....".<sup>59</sup>

The elimination of the "Google Tax" is similar to Canada, which under Trump's threats in 2025, removed all taxes on Google, Meta, Amazon and other similar US companies even though Prime

<sup>54</sup> Office of the US Trade Representative, 'Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labor' (2026). <<https://ustr.gov/sites/default/files/files/Press/Releases/2026/USTR%20Report%20Sec%20301%20FL%20301%206-2-26%20FINAL%20for%20upload.pdf>> accessed 11 June 2026.

<sup>55</sup> The Wire Staff, 'India Summons US Diplomat, Lodges Fresh Protest After Third Tanker Attack' *The Wire* (12 June 2026) <<https://thewire.in/world/india-summons-us-diplomat-lodges-fresh-protest-over-third-tanker-attack>> accessed 12 June 2026.

<sup>56</sup> *ibid.*

<sup>57</sup> 'Violations of US Blockade in Strait of Hormuz Will Not Be Tolerated, Rubio Tells Jaishankar' (*The Hindu*, 14 June 2026) <<https://www.thehindu.com/news/international/violations-of-us-blockade-in-strait-of-hormuz-will-not-be-tolerated-rubio-tells-jaishankar/article71098045.ece>> accessed 14 June 2026.

<sup>58</sup> Office of the United States Trade Representative, 'USTR Makes Findings and Proposes Action in 60 Section 301 Investigations Relating to Failures to Take Action' (4 June 2026) <<https://ustr.gov/about/policy-offices/press-office/press-releases/2026/june/ustr-makes-findings-and-proposes-action-60-section-301-investigations-relating-failures-take-action>> accessed 12 June 2026.

<sup>59</sup> *The White House* [n 47].

Minister Carney, despite the coincidental timing, insisted then that he was planning to do so on his own, not because of US pressure.<sup>60</sup>

It is worth noting, in this context, that the European Union (EU) has stood up more valiantly in this area which appears to be a regulatory red line for it, unlike its trade deal with the US. This was made evident by the heavy fine on Google in September 2025 for its anti-trust violations in the AdTech market and potential breaches of the EU's Digital Markets Act (DMA).<sup>61</sup> The fine of €2.95 billion on Google for abusing its dominant place in the online advertising technology sector was the fourth such European Commission (EC) fine on the company.<sup>62</sup> While the Commission is still reviewing Google's corrective actions, the EU reserves the right to order the break-up of Google's advertising business if the Commission considers Google's corrective actions insufficient. However, thus far, it is clear that the EU and EC correctly remain committed to their regulatory framework in this area.

To further demonstrate this, their regulators hit Elon Musk's X with a €120 million fine in early December 2025 for "disinformation" - the first major enforcement test case strike under the EU's Digital Services Act (DSA).<sup>63</sup> This Act gives the EU the power to demand content removals, algorithmic changes and data access with fines up to a million, or even a billion Euros for defiance.<sup>64</sup> This sent the libertarian techno-feudalist Musk on a berserk rant against the very existence of the EU, alleging censorship of free speech, which has seen an irresponsible and unbridled version on X under Musk after his takeover of Twitter.

Some Indian commentators had been hoping before the recent West Asia crisis related further complications between India and the US that the recent May 23-26, 2026 India visit of Mr. Rubio would help hasten the conclusion and signing of the India-US BTA. However, all it generated on this even before his recent response to Minister Jaishanker were his expressed optimism that Washington D.C. and New Delhi would conclude a sustainable trade agreement soon to stabilize economic ties.<sup>65</sup> If anything, Rubio's visit was used by him to shore up major concessions by India to the US in the proposed BTA such as its so-called "Mission 500" Commitment to purchase \$500 billion worth of US goods over a 5-year span, focusing on agriculture, energy and technology.<sup>66</sup> The only tangible outcome in a trade related area during Mr. Rubio's recent visit was the signing of the Critical Minerals Pact between the two countries.

Relations between India and the US are now much more politically complicated as a result of the deaths of three Indian civilians at the hands of the US Navy in the Persian Gulf on June 10. Mr Rubio's uncompromising response without even condoning the deaths of the three Indians has further enraged ordinary Indians and put pressure on the Modi government to do more. The Prime

<sup>60</sup> Kevin Breuninger, 'White House says Canada 'caved' to Trump over digital services tax' *Consumer News and Business Channel* (30 June 2025) <<https://www.cnn.com/2025/06/30/trump-hassett-trade-digital-services-tax-canada.html>> accessed 27 January 2026.

<sup>61</sup> 'Commission fines Google €2.95 billion over abusive practices in online advertising technology' *European Commission* (Brussels, 5 September 2025) <[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_1992](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1992)> accessed on 1 February 2026.

<sup>62</sup> 'Google hit with \$3.45 billion EU antitrust fine over adtech practices' *The Hindu* (New Delhi, 05 September 2025) <<https://www.thehindu.com/sci-tech/technology/google-hit-with-345-billion-eu-antitrust-fine-over-adtech-practices/article70016999.ece>> accessed 27 January 2026.

<sup>63</sup> Laura Cress, 'Elon Musk's X bans European Commission from making ads after €120m fine'. *British Broadcasting Company* (8 December 2025) <<https://www.bbc.com/news/articles/c0589g0dqq7o>> accessed 4 February 2026.

<sup>64</sup> The Digital Services Act 2024 s 3.

<sup>65</sup> 'India, US Signal Fresh Momentum in Strategic Partnership' *South Asian Herald* (24 May 2026) <<https://southasianherald.com/india-us-signal-fresh-momentum-in-strategic-partnership/>> accessed on 11 June 2026.

<sup>66</sup> 'India 'Commits' To Buying \$500 Billion Worth Of US Goods. What Experts Said' *NDTV World* (Washington, 29 May 2026) <<https://www.ndtv.com/world-news/india-commits-to-buying-500-billion-worth-of-us-goods-experts-weigh-in-11562538>> accessed on 11 June 2026.

Minister has recently arrived in France for the G7 meeting, where he will meet President Trump. They are expected to discuss trade and the BTA on the sidelines of that meeting but it is unlikely that any progress or conclusion will be made there, especially in light of the most recent incident dividing the two countries.

In the meanwhile, the USTR, Jamieson Greer, is expected in India in the early second half of June for further trade talks. Some Indian commentators are naively hoping that India can seek to reverse or modify the application of the new US H1B policy for Indians given the perceived dependency of many US tech firms on Indian professionals. However, such commentators ignore or do not understand that a BTA cannot directly fix or override US immigration laws like those on the H1B program. Indeed, even in more favourable times, sweeping legislative changes to the H1B program have not been included in standard US commerce and tariff treaties.

While US visa caps and the September 2025 Presidential Proclamation remains politically sensitive and under US jurisdiction, India can, however, continue to push for mutual talent mobility, visa processing improvements and social security pacts in the context of the India-US double taxation agreement as it did, in the first and second areas with the EU and the third area with the UK in its recent successfully negotiated Free Trade Agreements (FTA) with them.

However, because restrictive H1B policies will continue to limit the ability to move Indian talent to the US in the foreseeable future, the India-US BTA would do well to prioritize cross-border services embedded in expanding Global Capability Centers in India which benefit both sides and are consistent with the WTO GATS Mode 1 commitments of both parties. This, of course, assumes that the HIRE Act will remain stalled in the US Senate.

India should also continue to push a parallel agreement to the BTA which would prevent double taxation by allowing Indian professionals in the US to stop paying into the US Social Security system, thereby saving companies and Indian workers billions of US dollars. If it succeeds, this would be along the lines of its achievement in this area in the recent India-UK trade deal.

#### **IV. Conclusion and Way Forward**

As should have been well established in earlier sections of this paper, there is neither an easy fix or short-cut for India in terms of the way forward. This paper has already, in considerable detail, suggested a way forward for India which prioritizes a range of both long over-due domestic structural reforms and export diversification strategies which, if seriously and fully implemented, will together bring about the desired transformations and tangible outcomes. It is urgent that the Government of India and its corporate sector, especially those in the IT and other services areas, immediately embark on both sets of reforms simultaneously and resource them adequately. Much time over many decades has already been lost. Time remains of the essence if India is also to capitalize on and invest in its fast dwindling but still remaining demographic dividend. This new generation of Indians are its greatest potential source of wealth and hope, both for the country's future domestic sustainable growth and global contribution.