

**CONTEMPORARY  
CONCERN STUDIES**

**IMPACT OF  
PROTECTIONIST  
POLICIES OF MAJOR  
ECONOMIES ON  
INDIAN ECONOMY**

UNDER THE GUIDANCE OF

PROF. RUPA CHANDA

Professor

RBI Chair in Economics

Chairperson, Internal Committee

Economics & Social Sciences

IIM Bangalore

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VALLAKATLA SHRAVANI

1611290

VENKATA RAMA SUBBA RAO NIMISHAKAVI 1611363

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## TABLE OF CONTENTS

LIST OF FIGURES.....	2
LIST OF TABLES.....	2
ABSTRACT.....	3
1. PROTECTIONISM .....	3
2. NEED FOR THE STUDY .....	3
3. GENERAL PROTECTIONIST MEASURES AND TRENDS.....	4
4. THE EUROPEAN UNION SCENARIO .....	7
4.1 Analysis of protectionist measures on Agricultural and Agro-based products .....	7
4.2 Impact on India and India’s Response .....	7
4.3 Recommendations .....	8
5. THE UNITED STATES SCENARIO.....	9
5.1 The Shrimps Industry .....	9
5.2 The Steel Industry .....	10
5.3 The Pharmaceutical Industry .....	10
5.4 Further Analysis & Impact of Anti-dumping duties and Other Measures .....	12
5.5 Recommendations .....	15
6. PROTECTIONISM ON IMMIGRATION .....	16
7. IMMIGRATION – UNITED STATES.....	17
7.1 Introduction .....	17
7.2 H-1Bs and India .....	17
7.3 Speculations and Impact.....	20
7.4 India’s Response and Recommendations .....	22
8. IMMIGRATION – SINGAPORE.....	23
8.1 Introduction .....	23
8.2 Regulations and Laws.....	24
8.3 Agreements and Indian Stance .....	25
8.4 Recommendations .....	26
9. CONCLUSION.....	27
REFERENCES.....	29

## LIST OF FIGURES

Figure 1: Indian exports of Pharmaceutical products.....	11
Figure 2: Representative bar chart of the share of Indians applying for H-1Bs [2006-2008] .....	18
Figure 3: Percentage share of the major 6 IT companies in comparison to the total no. of H-1Bs <sup>52</sup> ...	19
Figure 4: Median H-1B salary with respect to different Parent company <sup>52</sup> .....	19
Figure 5: L1 / L2 visa issued to Indians.....	21
Figure 6: No. of H-1B and H4 Issued to Indians .....	21
Figure 7: Population composition for the last 5 years.....	23
Figure 8: Composition of the Non-residents in Singapore, June 2016 .....	24

## LIST OF TABLES

Table 1: Anti-dumping and Countervailing measures taken by the US on Indian Shrimp Exports .....	9
Table 2: Trends of Anti-dumping duties (By the US on Indian shrimp exports) .....	9
Table 3: Anti-dumping and Countervailing measures taken by the US on Steel Imports .....	10
Table 4: % Share of shrimp exports to the US as compared to overall exports (2004-14).....	13
Table 5: Illustration of 'Zeroing' .....	13
Table 6: Value share of HRS products that are subject to AD/CVD .....	14
Table 7: A glimpse of the change in numbers of foreign recruits owing to recession in 2008.....	16
Table 8: Top 10 countries/economies of origin of temporary visa holders earning science & engineering doctorates at US colleges and universities, 2001–11 .....	22

## **ABSTRACT**

Protectionism, by definition, means the limiting of trade between countries, by implementing tariffs on imported goods, restrictions, quotas and other regulations imposed by the governments. Such policies are incorporated by a country to safeguard the interests of the local industries. But in recent years protectionism has turned out to be a tool for anti-globalization and political dominance. In this paper, a description of different types of tariff and non-tariff trade barriers that have historically been used by different countries has been provided. Protectionist measures implemented by the European Union pertaining to Agricultural & Agro-based products industry and the USA on Steel, Shrimps and Pharmaceutical industry, that affected India have been explored. The impact of these measures on Indian exports and how India has been handling such situations has been analysed. Protectionism takes a different form in the services industry, as most services are intangible in nature and hence do not lend themselves to tariffs and quotas. On the front of protectionist measures in immigration, an analysis for two countries- the USA and Singapore, has been studied upon. A description of existent immigration laws & regulations in these countries (w.r.t effect on India), recent changes due to political scenarios and an analysis of their impact on India have been provided. A discussion on how India has responded to these measures has been carried out and plausible recommendations as to what can be done to improve the situation have been suggested.

### **1. PROTECTIONISM**

Protectionism, by definition, means the limiting of trade between countries by implementing tariffs on imported goods, restrictions, quotas and other regulations imposed by the governments. Primarily, such policies are incorporated in a country to safeguard the interests of the local producers, businesses, and workforce pertaining to the import-competing sector from foreign players. It is contested that such policies would discourage unfair trade practices and would encourage fair ground for competition of the imported goods and services with the ones produced or generated domestically. This would decrease the trade deficit and enable the employment of the locals in certain sectors and industries pertaining to the countries in specific. This, however, in the recent years has majorly turned out to be anti-globalization.

### **2. NEED FOR THE STUDY**

In the recent decades, despite the world moving towards liberalization and free trade, many nations have been adopting protectionist measures both in terms of trade and human resource flow. There are certain reasons why a country chooses to adopt such measures, the most common ones being to grow and diversify the domestic economy and safeguard employment.

The pace of rising protectionist measures during October 2015 to May 2016 has been the fastest since 2008 financial crisis. The G20 official report mentions that the G20 would resist all forms of protectionism. However, contrary to the official communique, the WTO report on G20 trade restrictions observes that 70% of such measures were instigated by the economies who are a part of G20.

There have been many instances where different forms of protectionism were adopted by countries. Through Common Agricultural Policy (CAP), EU imposes substantial tariffs on many agricultural markets. The other form could be through escalated tariffs- placing higher tariffs on processed foods. According to a WTO report, the average tariff EU imposes on primary food products was 9.9%, but for processed food, it was as high as 19.4% (more than twice). There has been a growth of Red Tape-

strangling trade by imposing bureaucracy, red tape etc., which increase the administrative costs of trading. The very recent development in the protectionist direction was the halt of one of the well-known trade accord in world history, Trans Pacific Partnership. The deal was expected to establish new trade terms among the United States and 11 Pacific Rim nations- a set of countries which represent 40% of global GDP and a third of the world trade.

Protectionism takes a different form in the services industry, as most services are intangible in nature and hence do not lend themselves to tariffs and quotas. As a result, the government policies related to the regulation of foreign investment – related to both initial establishment and to operations after establishment, become important.

Singapore, one of the most prominent economies among the Asian countries had been continuously trying to invite and attract talented individuals across the globe, especially from China and India to develop as a nation. However, with the recent growing unrest among the locals and the national politics, the government has imposed stricter regulations over the hiring of foreign individuals in all the fields. Also, the number of foreign students in the Universities was regulated from 18% to 15% (announced after May 2011 General Elections). These measures have seriously hampered the higher education and foreign employment scenario for Indian students.

The direct effect of these measures would be in the countries that are on the exporting side of the trade. Indian export trade has been dependent on these countries, which would make it vulnerable to the effects of the protectionist measures adopted. Here arises a need to study the effects on India and the possible measures to counter the changes brought about by these measures or in some cases even benefit from the changes.

### **3. GENERAL PROTECTIONIST MEASURES AND TRENDS**

Typical methods of protectionism are tariffs on imports, which are termed as tariff barriers to trade. They are the customs taxes that are levied by the government on imported goods. It is a percentage of total cost of the imported good, inclusive of freight and insurance.

A non-tariff barrier is a form of restrictive trade where restraints to trade are set up in a way that takes a form different from a tariff<sup>1</sup>. The different types of Non-tariff barriers:

#### **1. Specific Limitations on Trade**

##### *a. Import Licensing requirements*

These are the most common instruments to directly regulate imports. A general license that permits unrestricted exportation or importation of a good for a certain period, is one of the main types of licenses. The use of licenses for the regulation of trade is based on many international trade standards particularly including few provisions included in the General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO). For e.g. Agreement on Import Licensing Procedures.

##### *b. Quotas*

Quotas are quantitative restrictions on import and export of goods. There are different types like- global quotas with respect to certain countries, voluntary export restraints, seasonal quotas. The major consequence is higher prices and a limited selection of goods which affects the customers.

##### *c. Proportion restrictions of foreign domestic goods (Local Content Requirements)*

LCRs are those policy measures that mandate a share of intermediate goods that would be used in the production to be sourced from local/domestic manufacturers<sup>2</sup>.

d. *Minimum import price limits*

The minimum import price that domestic firms must pay while importing products. MIP is a type of quantitative restriction which aims at providing relief to the domestic manufacturers of these products against low prices from abroad.

e. *Embargoes*

A government order that restricts the exchange of specific goods or the exchange or commerce with a country. It is generally employed because of economic or political situations between the nations.

## 2. Customs and Administrative Entry Procedures

a. *Valuation systems*

The method of estimating the value of an item at customs can be as grave a problem as the rate of actual duty charged, for the importers<sup>3</sup>.

b. *Anti-dumping practices*

Domestic governments impose certain tariffs on imports that are believed to be priced far below fair market value. If a company exports a product at a price far lower than it sells on the domestic market, it is called dumping.

c. *Tariff classifications*

National tariffs are levied based on tariff classification numbers assigned to goods, where each number has a tariff rate assigned to it. The classification of the items has a vital and palpable effect on the tariffs charged. The rate reductions can be nullified in effect if the classifications are applied arbitrarily.

d. *Documentation requirements*

The complexities involved in required documentation might discourage the trade of certain goods.

e. *Customs clearance*

Lengthy and costly customs clearance procedures will result in a delay of supply and is a great hindrance for goods with low shelf life like flowers etc.

## 3. Standards

a. *Standard disparities*

Disparities in standards used by different countries for products causes the extra need for compatibility check by exporters.

b. *Sanitary and phytosanitary measures*

This is to set out some ground rules for food safety and standards for plant & animal health. The agreement on the application of measures – both sanitary and phytosanitary, permits the countries to use their own set standards provided they have a scientific basis<sup>4</sup>.

c. *Intergovernmental acceptances of testing methods and standards*

d. *Packaging, labeling, and marking*

These are the measures regulating the size, kind and color of printing on packages and labels and defining the information to be provided, packaging standards etc<sup>5</sup>.

## 4. Government Participation in Trade

a. *Government procurement policies*

It usually includes the issue of public tenders by the procuring authority. These policies are directed towards preventing corruption, waste and local protectionism.

b. *Export subsidies and domestic assistance programs*

Both these measures have a great bearing on other countries' trade. The goal of export subsidies is to displace exports from other countries in the target country. Domestic assistance programs act as barriers for other countries to enter into domestic markets. Generally developed economies such as the US, European Union, and Japan have been using these measures. Developing nations do not possess enough resources to implement these measures<sup>5</sup>.

c. *Countervailing duties*

These are trade import duties imposed to neutralize the negative effects of domestic support and subsidies by the exporting country.

**5. Charges on imports**

a. *Prior import deposit subsidies*

A deposit of a specific sum, required by a government, in either domestic or foreign currency which corresponds to a certain proportion of the value of the imported items. These deposits are typically held, sometimes for many months, without interest. They are held from the time an order is placed till the completion of import transaction. The purpose is to discourage imports, for reasons such as the balance of payments<sup>6</sup>.

b. *Administrative fees*

These fees are levied to recover the costs of administrative control systems.

c. *Variable levies*

A levy whose rate varies inversely with the price of the imported goods. It is also called as flexible import fee<sup>5</sup>.

d. *Border taxes*

It is nothing but destination-based cash flow tax (DBCFT) which is levied on import goods as a value added tax. This tax is designed to reduce companies' incentive to off-shore profits and to even out imbalances in money flow across borders<sup>7</sup>.

## 4. THE EUROPEAN UNION SCENARIO

India has been affected by different protectionist measures by the European union. We will analyze some of these below.

### 4.1 Analysis of protectionist measures on Agricultural and Agro-based products

1. *Different MRLs for drugs, pesticides, and other contaminants*  
MRL is the maximum amount of pesticide residue expected to remain on food products, which is not concerned a health issue. The default level of MRLs set by EU for pesticides and drugs are quite high. The European commission regulation is silent about harmonization of MRLs. Minimum required performance limit (MRPL), for which the default level is very high, must be followed in the absence of MRL<sup>8</sup>.
2. *Delay in clearance of flower consignments*  
Indian flower produce is subjected to 50% checks in Netherlands at various entry points, despite high-quality procedures and very stringent phytosanitary inspection procedures at Indian exporting farms. Such delays in the case of flowers cause loss of product quality and reputation<sup>8</sup>.
3. *Food miles – veiled protectionism*  
Food miles is defined as the distance traveled by the food to reach plate from the farm. The theory is that transporting food long distances causes the release of high levels of greenhouse gases and hence this should be kept the minimum. The equation of food miles with environmental harm has led to advertising campaigns, retail and labeling distinctions, policy decisions and proposals, and social movements. If we take the case of food miles advertising- the United Kingdom has featured it prominently. Some of the major UK retailers began differentiating products by placing airplane stickers on produce that has been air freighted.<sup>9</sup>
4. India's farm exports also face prohibitive import duties in overseas markets. For example, dairy products attract peak import duties of 511% in the EU<sup>10</sup>.
5. EU has banned certain fruits and vegetables from India in May 2014, citing phytosanitary reasons. EU trade authorities have found 207 consignments of fruits and vegetables from India infested with fruit flies. Fruit flies are pests which are native to Indian soil can infect and damage the crops in Europe. The fruits and vegetables that were banned include mangoes (including the famous Alphonso), bitter gourd, taro plant, eggplant and snake gourd<sup>11</sup>.
6. *Definition of Whisky- CN Code<sup>12</sup>*: To ensure a level playing field, India has since long been indicating European Commission to recognize Indian produce of Whisky as 'Whisky'. Indian Whisky is molasses based whereas EC CN code for whiskey defines it as – "*an alcoholic beverage can be called a whiskey only if it produced exclusively from cereals by distillation and is matured for a period of three years.*" Moreover, EU countries are adopting double standards here – they insist on their Whisky being allowed to be imported under 'national treatment clause' to India, whereas they show reluctance to import Indian whiskey.

### 4.2 Impact on India and India's Response

Now, we try to understand how these protectionist measures have impacted India and how the authorities have been responding to the issues.

The EU commission recently (July 2107) has brought down the MRL (maximum residual limit) level for Triclazole in Basmati rice imports to 0.01 mg, which is a 100-fold decrease. Tricyclazole is a pesticide



used by farmers in India for Basmati Rice crops. This 100-fold decrease in the tolerance limits means a virtual ban on export of Basmati rice from India because it at least takes two crop cycles to effect the desired change. Grain exporters body AIREA (All India Rice Exporters Association) estimates that trade worth over Rs.1700 Cr could shift to Pakistan as Pakistan does not use Triclazole in these crops. Along with India, even Spain has been affected due to the new norms.<sup>13</sup>

More than 50% of total vegetable and fruit exports from India are to the EU- the ban on certain fruits (mangoes) and vegetables (bitter gourd, taro plant, eggplant and snake gourd) in May 2014 is a setback for Indian exports. As a result, the export of fresh fruits has declined to \$291.43 Million in April-November 2014 from \$307 Million in April-November 2013. The Mango exports suffered an 8-fold loss, falling to \$ 1.07 million in 2014-15 from \$ 8.9 million in 2013-14<sup>14</sup>. Getting this ban lifted, is one notable success story for India. The ban that has been imposed in May 2014 till Dec 2015 has been lifted well in advance (Jan 2015). EU authorities have claimed that the export certification in India was not up to the mark in early 2014. Since then Indian government and APEDA (Agricultural and Processed Food Products Export Development Authority) have pushed EU to send an inspection team for auditing the packaging houses. The Indian government has promised that all the vegetable and fruit exports will be sent from the pack houses recognized by APEDA. They have put in efforts to modify the certification mechanisms to suit European guidelines and the EU inspection team was satisfied with it, hence lifting the ban on mangoes.

Some trade experts believe that mangoes have been prioritized over other vegetables in lifting the ban owing to persistent lobbying by strong traders both in Europe and India, and especially the efforts of Keith Vaz, an Indian-origin British Parliamentarian. He has launched a 'Reverse the Mango Ban' campaign. Rafiq Ahmed, president of the Federation of Indian Export Organisations has opined that for vegetables there are different bodies depending upon the varieties, whereas mango trade has a unified industry, which made it easier in demanding change.<sup>15</sup>

### **4.3 Recommendations**

These issues can be worked around with the joint efforts of Indian government and responsible food and agricultural product authorities in India. In India, most of the testing and packaging happen in an unorganized manner, which leads to multiple checks in the importing countries. Once any violations have been identified, it turns out detrimental to the business in the long term. Normalizing the Indian phytosanitary standards with the EU and other countries, across different exporters in India is the way forward to avoid these situations. Indian government should encourage the formation of structurally strong and independent bodies for all the agricultural products. This helps in conveniently implementing the normalized standards and packaging measures. Our government should also be in a strong position to persuade the importing country authorities to be reasonable in imposing these restrictions- especially in cases such as in the case of Basmati rice as mentioned earlier. Research should be encouraged in these areas to come up with safe alternatives to pesticides that are suitable to Indian crops.

## 5. THE UNITED STATES SCENARIO

We will be discussing the following industries where protectionism and its effects are distinctly affecting the Indian economy.

- a. The Shrimps industry
- b. The Steel industry
- c. The Pharmaceutical industry

Protection on Immigration will be discussed in detail in the latter section of the report.

In the US, anti-dumping duties are imposed by the International Trade Commission (ITC), based on recommendations from the Department of Commerce which often exceed 100% of the value of the goods. They are used when a foreign company is trying to sell items significantly below the price of its production at homeland. With respect to these measures, we will be studying the shrimps and steel industries.

### 5.1 The Shrimps Industry

The US is a major importer of seafood from India, with a share of 28.6% in dollar terms and the largest importer of Indian shrimps. \$4.7 Billion Indian seafood industry faced a setback when the United States International Trade Commission (USITC) has voted unanimously to extend the anti-dumping duty on frozen warm water shrimp imports for five more years from March 2017<sup>16</sup>. This has been the case since 2004-05. They have currently pegged the rate at an average of 1.07%<sup>17</sup>. Below is the data for anti-dumping and countervailing measures taken by the US that affected Indian shrimp exports.

Table 1: Anti-dumping and Countervailing measures taken by the US on Indian Shrimp Exports<sup>18</sup>  
[Source: WTO Data; Date of Access – 26<sup>th</sup> July 2017]

Initiation	In force	Withdrawn	Measure description	Product description
27-Jan-04	01-Feb-05		Anti-dumping	Certain Frozen warm water Shrimp
25-Jan-13		20-Sep-13	Countervailing Duties	Frozen warm water shrimp

Table 2: Trends of Anti-dumping duties (By the US on Indian shrimp exports)  
[Source: WTO Data; Date of Access – 26<sup>th</sup> July 2017]<sup>21</sup>

Initiation	Provisional Measures	Final Measures
27.01.04	04.08.04 3.56-27.49% 23.12.04 5.02-13.42%	
06.04.07	06.03.08 0.70% - 110.90%	
31.03.08 (R 02.07 – 01.08)	09.03.09 0.39% – 0.79%	13.07.09 0.39% – 0.79%
07.04.10 (R 02.09 – 01.10)	04.03.11 1.36% - 2.31%	
01.04.11 (R 02.10 – 01.11)	06.03.12 0.13% (de minimis) – 2.51%	
02.04.14 (R 02.13 – 01.14)	06.03.15 2.63% - 3.28%	10.09.15 2.63% - 3.28%
30.03.15 (R 02.14 – 01.15)	10.03.16 0.80% - 8.32%	13.09.16 0.74% - 3.37%

## 5.2 The Steel Industry

The USA is the largest steel importer in the world. In 2015, 19% of all the steel imported globally was represented by the US imports. Trade remedies that the US imposes on its imports are countervailing duties (CVD), antidumping duties (AD), associated suspension agreements and safe guards. They have often used these measures- in fact, there have been 46 successful cases of anti-dumping and 27 cases of countervailing duty cases involving steel, from 1980-1999.

India is one of the top five among the stainless-steel sources for the US. The weighted average margin of anti-dumping levied on India between 1980-1999 was 18.97%<sup>19</sup>. The number of Anti-dumping and countervailing measures levied by the USA affecting India are 12 and 7 respectively, in the steel industry during the period 1980-2017<sup>20</sup>. The following table provides the corresponding data.

Table 3: Anti-dumping and Countervailing measures taken by the US on Steel Imports  
[Source: WTO Data; Date of Access – 26th July 2017]<sup>18</sup>

Initiation	In force	Measure description	Product description
09-Aug-85	12-May-86	Anti-dumping	Welded Carbon Steel Standard Pipe
26-Jan-93	01-Dec-93	Anti-dumping	Stainless Steel Wire Rod
27-Jan-94	21-Feb-95	Anti-dumping	Stainless Steel Bar
16-Mar-99	10-Feb-00	Anti-dumping	Cut-to-Length Carbon Quality Steel Plate
12-Dec-00	03-Dec-01	Anti-dumping	Certain Hot-Rolled Carbon Steel Flat Products
12-Dec-00	03-Dec-01	Countervailing Duties	Certain Hot-Rolled Carbon Steel Flat Products
03-May-01	23-May-02	Anti-dumping	Silicomanganese
27-Feb-03	28-Jan-04	Anti-dumping	Prestressed Concrete Steel Wire Strand
27-Feb-03	04-Feb-04	Countervailing Duties	Prestressed Concrete Steel Wire Strand
29-Jul-13	10-Sep-14	Anti-dumping	Certain Oil Country Tubular Goods
29-Jul-13	10-Sep-14	Countervailing Duties	Oil country tubular goods
30-Jun-15	25-Jul-16	Anti-dumping	Corrosion-resistant steel products
30-Jun-15	25-Jul-16	Countervailing Duties	Corrosion resistant steel products
24-Aug-15	20-Sep-16	Countervailing Duties	Cold rolled flat steel products
24-Aug-15	20-Sep-16	Anti-dumping	Cold-rolled steel flat products
27-Oct-15	17-Nov-16	Anti-dumping	Welded stainless pressure pipe
27-Oct-15	17-Nov-16	Countervailing Duties	Welded stainless pressure pipe
28-Jul-16		Anti-dumping	Finished carbon steel flanges
28-Jul-16		Countervailing Duties	Finished carbon steel flanges

## 5.3 The Pharmaceutical Industry

India is the largest exporter to the developed nations for low-priced generic medicines. India maintains a lead over its global competitor China across all major markets – US, European Union and Africa.<sup>21</sup> The global pharma market has grown 24.7% from \$962 billion in 2012-13 to \$1200 billion in 2016-17. In this, the global generic market share has also increased from 28.5% in 2012-13 to 36% in 2016-17. However, in this scenario, Indian generic pharma drug exports have risen by 66.7% from \$15 billion in 2012-13 to \$25 billion in 2016-17.<sup>22</sup>

## Generic drug regulations

Generic drugs are bio-equivalents, therapeutically and pharmaceutically interchangeable to original brand-name drugs, generally formulated after the expiry of the patent and exclusivity rights of the original drug.

With lower manufacturing costs (35-40% of the US), India is the largest generic medicines supplier in the world (20% of global exports). Pharmaceutical export from India which is \$16.4 Billion in 2016-17, is expected to reach \$20 Billion by 2020<sup>23</sup>. The graph below shows the trend of exports over the years.

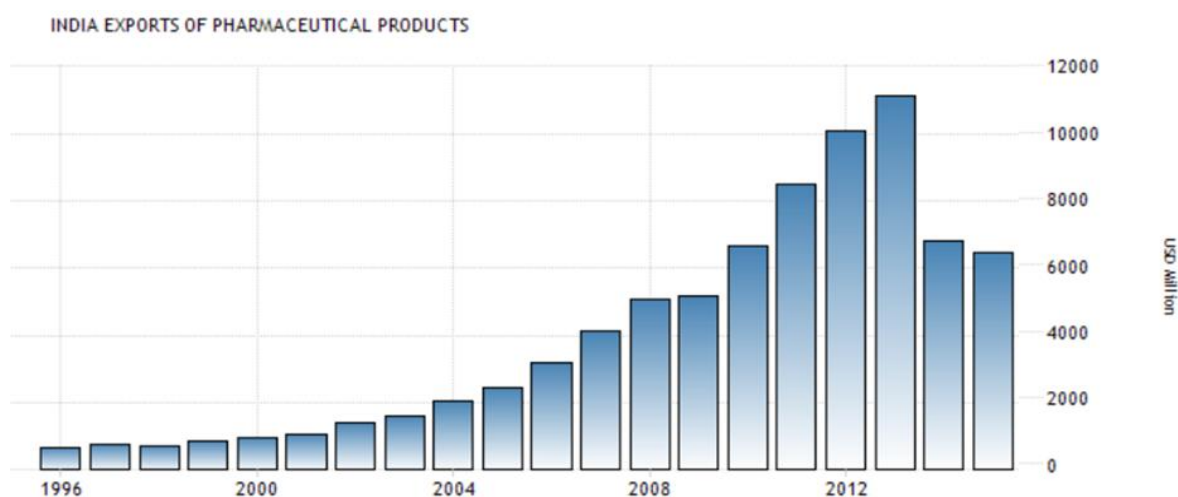


Figure 1: Indian exports of Pharmaceutical products  
Source [tradingeconomics.com]

## Exports to the US

For applying ANDAs (Abbreviated New Drug Application approvals), the application is submitted under one of the subsections of 505(j), Federal act stated below. It is important to comply with rules and regulations of the US because it is the major export destination for Indian generics manufacturers<sup>24</sup>. USFDA has over 700 registered drug makers and about 30% of total ANDAs are from India<sup>25</sup>.

Subsection	Product Types
<b>Paragraph I</b>	For the products for which no patent information is available in the orange book
<b>Paragraph II</b>	Used for the products for which all the applicable patents are expired
<b>Paragraph III</b>	Used for the products for which the some or all the applicable patents are valid and the applicant confirms that the product will not be placed in the market till such patents are expired
<b>Paragraph IV</b>	Used for the products for which some or all the applicable patents are valid and applicant try to file the product which does not infringe those patents or applicant invalidates the granted patents. On successful outcome, the generic applicant enjoys the six-month exclusivity in the market.

## Regulatory issues from USFDA

The tight regulatory vigil by US Food and Drug Administration, in the recent past, has become a major concern for the Indian pharmaceutical Industry. Major pharmaceutical firms in India have been facing negative observations during plant inspections for USFDA approval.

*Dr.Reddy's Laboratories Case*

Lion's share of its \$2.4 billion-dollar turnover comes from the US market for this pharma major. But in 2015 it received warning letters from USFDA for three of its plants- two API units and one cancer products facility. After recent inspections in April 2017, they face significant observations on its Duvvada plant and has received 11 observations for its Bachupally plant.

#### *Aurobindo Pharma Case*

The Bachupally unit of Aurobindo which makes oral formulations has attracted 6 observations in April 2017 pertaining to procedural aspects. This was followed by seven observations of Form 483 type for injectables and ophthalmic products. Form 483 is issued if any violations of the US Food Drug and Cosmetic Act and related Acts are found during inspections. Other firms like Divis Laboratories and Lupin have also faced regulatory observations recently.

#### *Ranbaxy, 2013 case<sup>26</sup>*

In 2013, FDA had barred shipping of products to the US from three plants of Ranbaxy. As the US market accounts for more than 40% of Ranbaxy's sales, it took a major hit. The ruling resulted in the worst single-day fall in the stock of Ranbaxy, wiping off \$1 Billion – a third of its market value.

The Intellectual Property rights bully: This has been an old sore point between India and the US. India is once again included in the Special 301 of the US Trade Representative (USTR) which considers India's IP as a barrier to the US businesses.

#### **The effects of Trump administration<sup>27</sup>**

1. Obamacare is one of the major sources of income for the Indian pharma companies which hold the credit of India being the second biggest exporters to the US. The scrapping of Obamacare would result in a huge hit to the Indian pharma industry.
2. While we can expect a tighter pricing on pharma products in the US, this might impact the Indian pharma companies in the short run.
3. However, as per recent news, the new drugs applications approval for Indian pharma companies went up to 129 from 89 last year – indicating a 45% increase.

#### **5.4 Further Analysis & Impact of Anti-dumping duties and Other Measures**

The fact that most other countries, especially like the EU have very high tariff rates has acted as an incentive for the shrimp exporters to increase the number of shipments to the US, as it has been more of an open market. In a similar manner, the US has acted as a last resort for shrimp exports when denied entry citing phytosanitary issues in markets such as the EU. This led to the committee of shrimp farmers in the US- Ad Hoc Shrimp Trade Action Committee (ASTAC) to file anti-dumping petitions against six countries, including India. This dated way back to the year 2003. Between the period August 2004 to March 2009, Enhanced bond requirement (EBR) was imposed on shrimp exports from India. During the period 2006-07, shrimp exports from India to the US in dollar value dropped by 23%. There was a significant reduction in the number of Indian shrimp exporters after the Anti-dumping laws came into effect. It dropped from 280 to just 68 between 2005 and 2009.

The last row in the table below gives the percentage share of the US shrimp exports as compared to overall exports. It is evident that the value has declined drastically from 2004-05 at 32% to 2009-10 at 17.5% when the anti-dumping duties were at its peaks. It also shows a negative growth. These were the clear ill-effects of anti-dumping duties levied. But the involvement of Indian government over time has helped in easing some restrictions and improving trade. For example, the Indian government has

taken up the issue of enhanced bonding requirements (EBR) for shrimp imports to the US, with Dispute Settlement Body (DSB) of WTO. The EBR was reconsidered by the US from April 1, 2009<sup>28</sup>

Table 4: % Share of shrimp exports to the US as compared to overall exports (2004-14)<sup>28</sup>  
(Q: Quantity in Metric tons, V: Value in INR Crore, \$: Value in Million Dollars)

Market		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
USA	Q	34020	35745	24697	19531	17499	18383	34243	50571	75415	95927
	V	1358.4	1362.7	1080.8	753.51	683.31	733.42	1688.5	2556	3573.8	7344.1
	\$	301.55	310	237.81	187.27	152.13	154.6	371.75	548.54	663.14	1219.3
Total	Q	138085	145180	137397	136223	126042	130553	151465	189125	228620	301435
	V	4220.7	4271.5	4506.1	3941.6	3779.9	4182.4	5718.1	8175.3	9706.4	19368
	\$	938.41	970.43	997.65	980.62	839.3	883.03	1261.8	1741.2	1803.3	3210.9
% Share	Q	24.63	24.62	17.97	14.33	13.88	14.08	22.6	26.73	32.98	31.82
	V	<b>32.18</b>	<b>31.9</b>	<b>23.98</b>	<b>19.11</b>	<b>18.07</b>	<b>17.53</b>	<b>29.52</b>	<b>31.26</b>	<b>36.8</b>	<b>37.91</b>

**Zeroing** - The method which the US has been using to calculate anti-dumping duties is disputable. It uses a method referred to as 'zeroing' which eliminates the effects negative rate differences and thus the resulting anti-dumping values are much higher than what it really is. Let us illustrate this with an example- there are three different sales that occurred for a certain product and the rate variances in different markets are given below. In this example when the three sales are considered together, there is effectively no dumping as the positive \$100 difference is offset by the negative \$100 difference. This method is generally followed everywhere in the rest of the world except the US. In the US while calculating dumping effects, the -\$100 is considered as zero. So effectively it shows that dumping is prevalent in this case.

Table 5: Illustration of 'Zeroing'

Sale	Indian Market	US Market	Difference
<b>1</b>	\$1000	\$900	\$100
<b>2</b>	\$1000	\$1100	-\$100
<b>3</b>	\$1000	\$1000	\$0

This method results in higher anti-dumping tariffs which is unfair and many countries including the EU have filed a case against this in the WTO. The WTO appellate body has ruled against the practice of zeroing and ascertained that it is unfair. Since then the US has stopped using this method<sup>29</sup>. But still, there are many allegations by different countries like South Korea<sup>30</sup> and Vietnam<sup>31</sup> on the use of zeroing by the United States.

When we look at the scenario of the steel industry, subsidy and dumping petitions were filed on US steel producers' behalf in the year 2000. Table 5 gives the details of the share (value) of HRS (Hot rolled steel) products for which AD (Anti-Dumping duty) or CVD (Countervailing Duty) were applicable. Before these duties were applied, the HRS products that were sold to the US from India were 25% less in unit value as compared to similar HRS products' world imports. But it was estimated that the dumping margins stand at a much higher level- between 34% and 39%. These were based on the pricing in the Indian domestic market. The countervailing duties were also between the range of 9% and 34%. The imposition of AD/CVD resulted in India losing the market share in the category of HRS products and the US improving the market share in the same category.<sup>32</sup>

Table 6: Value share of HRS products that are subject to AD/CVD<sup>32</sup>

HS4	Name	AD/CVD share (value)
7208	Flat-rolled products of iron or nonalloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated, or coated	0.627
7210	Flat-rolled products of iron or nonalloy steel, of a width of 600 mm or more, hot-rolled, clad, plated, or coated	0.190
7211	Flat-rolled products of iron or nonalloy steel, of a width of less than 600 mm or more, non-clad, plated or coated	0.324
7212	Flat-rolled products of iron or nonalloy steel, of a width of less than 600 mm or more, clad, plated, or coated	0.401
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more	0.779
7226	Flat-rolled products of other alloy steel, of a width of less than 600 mm	0.648

There are certain examples where India has won anti-dumping dispute cases. For instance, India has won an anti-dumping case against the US in Aug 2014 in the case of certain categories of steel threaded rod. The US Department of Commerce has earlier determined that this category of products is subsidized and sold at below fair value in the US by India. It determined that the dumping margins ranged between 16.74% and 119.87%. The imports of this category from India were estimated at 19 Billion in 2013. The USITC determined that there was no case of material injury on US industry nor was it threatened by material injury due to the import of certain categories of steel threaded rod.<sup>33</sup>

On the pharmaceutical front, there have been attempts in 2014 for a collective approach to matching the regulations of the US at the national regulatory level where joint audits and review of the manufacturing facilities of India were agreed upon. This was a result of the “free and frank” discussions of the then US FDA Commissioner Margaret Hamburg with the officials of Central Drug Standard Control Organization (CDSCO), India. As part of the discussion, an issue was raised for the long duration of the approval process as well as the high fees set up for specific services offered by the US FDA. It has also pointed the issue of immediate action which includes disproportionate penalties post the audit inspection of manufacturing facilities rather than having a discussion to improve the same.<sup>34</sup> Audit inspections have increased by 10% in the last 4 years. Almost 60% of the warning letters are issued mainly for poor data availability and integrity, quality norms and documentation fudging. Indian firms have received 9 warning letters in the year 2016 alone. Going ahead, the number of warnings is expected to rise if proper action is not taken both by the government and the industry.<sup>35</sup>

Post-2013, the growth of the Pharma industries increased but in 2015 yet again, the manufacturing issues were raised by the US FDA. Manufacturing plants of few of the firms were set on import alert and few others were put under the scanner for possible cartelization. In 2016-17, the new challenge for the Pharma industry which is still under speculation is the stance of President Trump for the USA. On one side, the reduction in drug prices would give a boost to Indian companies to tread fast into the generic medicines, while on the other, Trump’s impetus on “Make in America” has put the Indian manufacturers on the edge. There is also an inward pressure from US Big Pharma to amend the patent laws in India, which however the government has been refusing from long. Another counter argument towards a threat to Indian pharma in the US is that India and China cannot be antagonized by the US bureaucracy. The Indian investment in the US Pharma has jumped by 6 times and the savings impacted by the Indian pharma companies in the US healthcare goes to the tune of around \$80 billion.<sup>36</sup>

It is however expected that there will be a rise in the exports, primarily because drugs worth \$50 billion are getting off-patented this year. In this situation, India a major supplier in the generic drug market would have its best gains. It is estimated that Indian Pharmaceutical Industry (IPI) receives around 70 percent of the revenue from the generic drug sale and around half of its revenues from the exports.<sup>37</sup>

While the governmental level discussions and debates are still going on, it is also in the hands of Indian industry to gain the maximum from the forte in the field of generic drugs. Most importantly, Pharma being a field of stiff competition in innovation as well, Indian companies need to invest considerably in the development and innovation of generic drugs. Currently, the market for generic drugs is comparatively less competitive, but it is expected to be the next hot field for the industry. In such a scenario, it is prudent of the industry as well as the government to work for the future in mind.<sup>38</sup>

### **5.5 Recommendations**

The imposition of Anti-dumping duties by the US has created major setbacks for Indian export trade as substantiated by the earlier discussion. India has been strongly contesting these measures by filing disputes and has won some of them in the past. India was also one of the countries which contested the use of zeroing by the US and the final ruling of WTO was against the US. To apply anti-dumping measures, calculating the extent at which dumping is being taken place is not sufficient. It must be proved that these actions are hurting the importing industry<sup>39</sup>. Thus, India needs to have strong data and analysis backed arguments to win these anti-dumping disputes. The major issue plaguing the pharmaceutical industry is the non-sufficiency of WHO-GMP (Good manufacturing practices) for exporting drugs to developed countries, like the US. These countries (USFDA in the case of the US) carry out specialized inspections of manufacturing units, before certifying the import of drugs to their countries<sup>40</sup>. To avoid regulatory issues from USFDA on Indian drugs, it is high-time that we standardize the regulatory norms with international standards. Thorough inspections and auditing of Indian drug manufacturing facilities have to be carried as per the standardized norms.



## 6. PROTECTIONISM ON IMMIGRATION

One of the key indicators of rising protectionism in the world's larger economies is the anti-immigrant sentiment among the local population and the sense of life being snatched away by the foreigners. However, it is extremely contradictory to see how a few of these countries thrived on the economic boost and living standard upgrade in the country owing to the incoming foreigner population but acquire thwarting negative attitude towards the immigrants. Throughout the world, most of the developed nations have exercised some or the other kind of restrictions to control the influx of foreigner population. While world's majority of the population is contributed by India and China, it is imperative that such regulations will adversely affect our economy.

While in the booming days, a lot of countries have allowed the immigrants to come and flourish themselves as well as the economy at large. USA, Spain, Ireland, UK, Singapore are some examples. As the unemployment levels in these countries and many other developed countries started to rise, the blame turned towards the immigrants. This is also one of the response strategies of the rich countries to reduce the impact of the economic downturn by restricting the immigrant flow. Post the 2008 recession, we have seen the reduction in the foreign recruits in the following countries:<sup>41</sup>

Table 7: A glimpse of the change in numbers of foreign recruits owing to recession in 2008

Country	2008 Foreign Recruits	2009 Foreign Recruits Quota
<b>Spain</b>	15731	901
<b>Italy</b>	70000	0
<b>South Korea</b>	72000	17000
<b>Australia</b>	133500	108100

The major economies have used other ways of reacting to such scenarios in the context of the increasing immigrants. A few economies have made it difficult for the companies to hire foreigners by either increasing the basic pay needed to obtain a visa, reduce the time for which a Visa is allowed, increasing the Visa fee and often resorting to red taping and stringent terms and conditions for hiring foreigners. These measures have also been coupled with incentivizing the companies for hiring locals. A few countries have also tried other interesting ways to drive the foreigners out in this regard. They have not only reduced the inflow of fresh visa issues but also restricted the renewals of existing foreign population. For e.g. Spain had implemented a scheme in 2009 where the foreigners can claim a part of their Spanish benefits if they went back from Spain and did not return for the next 3 years. Singapore keeps revising the salary limit for the Employment pass at regular intervals. In such cases, if the salary of the employee doesn't reach the new threshold level while renewal, the visa/pass status is either rejected or downgraded from E-Pass to an S-Pass.<sup>42</sup>

While a lot of debate is ongoing on the pros and cons of such a protectionist policy by any developed nation, it is also contended that such protectionism affects the nation that implements as well, in its growth years post the recession. The local population develops a xenophobia which again leads to the deterrence of foreign influx into the economy causing social and further economic implications.<sup>43</sup>

## 7. IMMIGRATION – UNITED STATES

One of the major export destination for India in terms of Human Resources has been the United States of America. Indian population still forms a major chunk of the US population. Indians have been flocking the US either directly with respect to work or for university education and then find an employment in the US. In either way, there has been a recent wave of protectionist fear for the number of people getting a visa issued for the world's largest economy (in terms of GDP).

### 7.1 Introduction

H1B Category was first enacted in 1990 with a cap of maximum 65000 immigrant population to be allowed to be a part of the US population. However, with the passage of time, this cap has been tweaked to suit the economic and legislative circumstances and actions. In 1999, the cap was raised to 115,000 under American Competitiveness and Workforce Improvement Act (ACWIA). This cap was continued for the next two years which was then again increased to 195,000 in 2001 under the American Competitiveness in the Twenty First Century Act (AC21 Act). The cap under AC21 Act was valid until the year 2003. In 2004, the cap was drastically reduced and reverted to 65,000. In the same year, additional 20,000 visas were also granted to the foreigners with US-earned Masters and higher degrees.<sup>44</sup>

From 2004 onwards, the cap has been fixed at 65,000 with additional H1Bs given as per the few exempt cases. Most important feature is that post-2004, every year the cap was reached consistently till 2017. The total no. of H-1B visas varies every year due to the following additional exempt cases of H-1Bs.

1. 20,000 visas for foreigners graduating with Masters and higher degrees from American universities.
2. Immigrants employed at government-funded research facilities, Universities and non-profit research facilities linked with universities. Universities are allowed to employ an unlimited number of foreign workers.
3. Free trade agreement: 1400 H-1B1s for Chilean and 5400 H-1B1s for Singapore nationals

The total number of H-1Bs issued every year is considerably higher than the maximum cap of 65,000 due to this numerous exceptions and roll-overs. The no. of initial employment H-1Bs issued in 2016 are 144,583. Apart from the initial employment H-1Bs, there are additional applications for continuation of the already existing H-1Bs.

### 7.2 H-1Bs and India

Fig. 1 below refers to an indicative diagram of the huge lion's share of Indians receiving the H-1Bs among the whole share of the H-1Bs issued in 2006-2008. In 2016, 61.8% of the total H-1Bs issued belonged to Indians. It is clearly evident that any change in the regulations for the immigration would impact the Indian diaspora as well as Indian economy the most as compared to other nations. Also, we can observe that about 61.2% of the total initial employment H-1Bs issued in the fiscal year 2016 were for the jobs in the computer-related occupations. Specifically, this very business and this kind of occupations are supplied in large numbers by India.

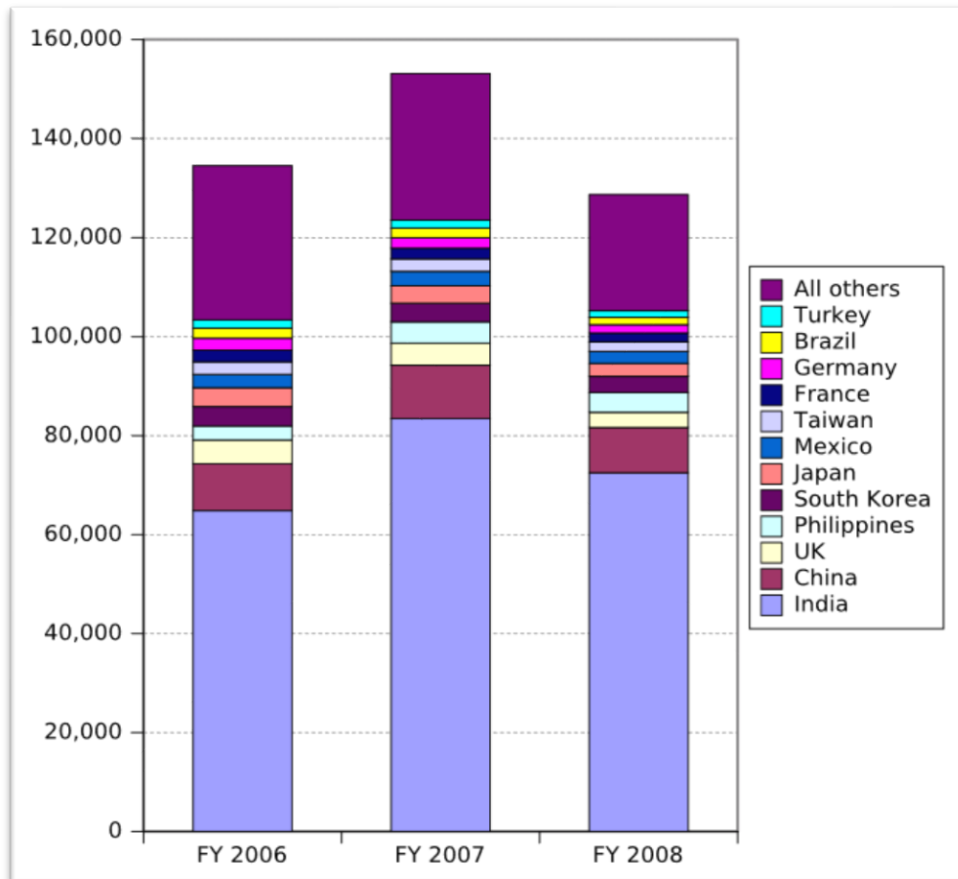
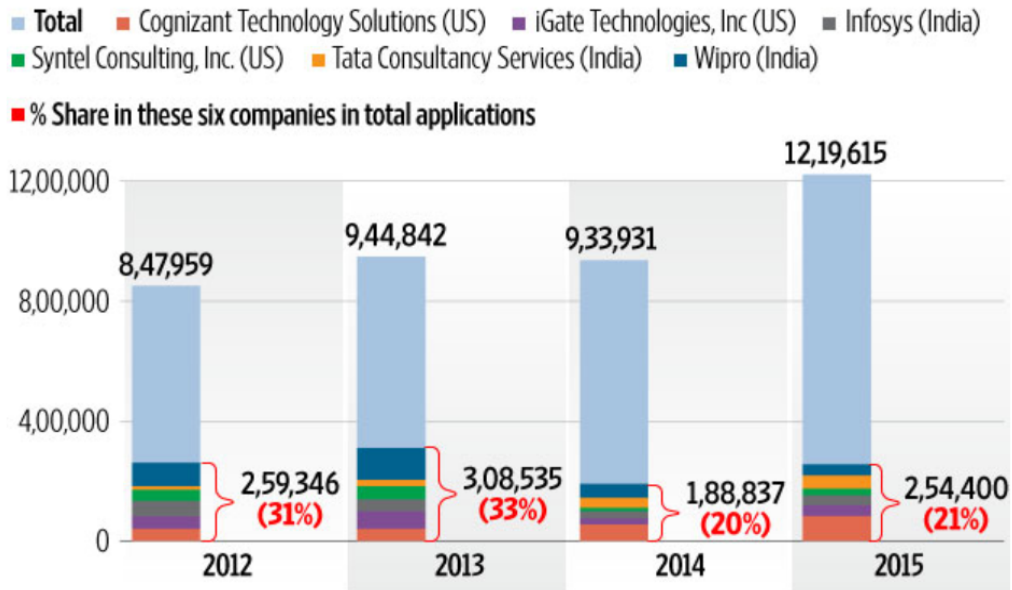


Figure 2: Representative bar chart of the share of Indians applying for H-1Bs [2006-2008]<sup>45 46 47</sup>  
 [Source: <https://en.wikipedia.org/wiki/H-1B visa>]

Last year during March, President elect, Donald Trump had stated in his promises that the H-1B visa which is currently being used to hire high-skilled foreign professionals and workers needed to end as they would be hurting the local workforce. Such an announcement in an environment full of anti-immigrant attitude is set to create a huge impact both socially as well as economically for India and Indians in the US.<sup>48</sup> In such a scenario of President Trump realizing his promises, several companies, especially IT companies with humongous Indian operations and who send their staff to the US on H-1B visas would be at a great disadvantage.

Fig. 2 gives the bar-chart representation of the share of applications made by the major IT firms. We can safely assume that around 20-30% of the total no. of application are made by these firms.<sup>49</sup> Fig. 3 indicates the median salary of the top innovative firms as well as the major IT based firms. Also, we can see that the median salary of the firms with lower median salary revolves around \$60,000 which typically is the threshold beyond which the companies do not need to declare whether their employment of foreign workers is causing any collateral loss to the local American workforce in terms of their employment.



Source: Office of Foreign Labor Certification (OFLC), US Department of Labor: [www.foreignlaborcert.doleta.gov/](http://www.foreignlaborcert.doleta.gov/) and U.S. Citizenship and Immigration Services: [www.uscis.gov](http://www.uscis.gov)

Figure 3: Percentage share of the major 6 IT companies in comparison to the total no. of H-1Bs<sup>49</sup>

Name	Parent Company HQ	Median H-1B salary (\$ 2015)
Google Inc. (US)	US	125000
Apple Inc. (US)	US	120000
Microsoft (US)	US	114034
Amazon (US)	US	109000
Oracle (US)	US	98262
Cisco Systems (US)	US	98238
Qualcomm (US)	US	92352
Intel (US)	US	90043
Capgemini (France)	France	74776
Infosys Limited (India)	India	72254
Accenture (US)	US	71600
HCL (India)	India	70304
Mindtree (India)	India	70000
Wipro (India)	India	68078
Cognizant Technology (US)	US	67621
iGate Technologies (US)	US	67000
Tata Consultancy Services (India)	India	66600
Syntel Consulting (US)	US	59311
L&T Technology Services (India)	India	56892
All applications		71000

Source: Office of Foreign Labor Certification (OFLC), US Department of Labor: [www.foreignlaborcert.doleta.gov/](http://www.foreignlaborcert.doleta.gov/) and U.S. Citizenship and Immigration Services: [www.uscis.gov](http://www.uscis.gov)

Figure 4: Median H-1B salary with respect to different Parent company<sup>49</sup>

### 7.3 Speculations and Impact

The recent announcements by Mr. Donald Trump, President of The United States of America, regarding the ban on immigration and possible restriction of foreigner employment have been focussed on providing an opportunity to the natives – Americans. The speculation is that the work visa programs and specifically H1B would be overhauled by the Trump administration as promised by the President himself of overseeing the H1B and L1 programs to safeguard the interests of the American job seekers.<sup>50</sup>

As per the Immigration Nationality Act, 1952, the President can exercise his power to impose prohibition for allowing people from any foreign origin into the United States of America under the clause of being detrimental to the society and the country at large. This poses the biggest support during the Trump's regime as President and his claims of banning immigration. While Mr. Donald Trump has clarified that he would concentrate on illegal immigration, but the highest stakeholder in US Immigration is India and it is no surprise that if any new law is brought in the Republic of India would also be the most impacted. Though the passing of the law needs the vote of the senate and the congress for any considerable change in the entry requirements or the fees of the visa, the already available loopholes in the H-1B clauses have enabled the misuse of the Immigration law many a time. Thus, the President is also free to use them too, apparently, in the nation's best interests.<sup>51</sup>

The following acts and bills safeguard the Americans from foreign immigration<sup>52</sup> :

1. *Consolidated Appropriations Act, 2016* – hike in the fees for L-1 and H-1B visa application for the companies applying on behalf of the applicants
2. *Protect and Grow American Jobs Act*
3. *High-skilled Integrity and Fairness Act, 2017* – to raise the minimum salary for H-1B holders to discourage the companies from employing foreigners

The total amount of taxes paid by the Indian IT companies is to the tune of US\$ 22.5 billion and pay an amount of around US\$ 6.6 billion for Social security during 2011-2015. A total investment of US\$ 2billion has been made by these companies in a span of two years from 2011-2013. By employing the Indians for temporary positions in the tech sector, these companies have been promoting innovation to strive the industry to be cost-effective. While the US would be losing out on these factors, Indian economy would be impacted by the increasing unemployment, reducing income from remittances and the hampered diplomatic ties.<sup>52</sup>

The proposed Comprehensive Immigration Bill if passed is going to be a threat to the trade relations between India and USA and most significantly impact the IT industry which would be regulated to recruit from the local talent pool. Indian IT industry accounts for 25% of the exports to the US.<sup>53</sup>

We can see that the total number of L1 and L2 visas have increased from 1990's but the share has dropped steeply over the last 3-4 years. We can also see that no. of H-1Bs and H4 visa reduced post the 2008 recession and the rate of growth has not been the same as per the data till 2012.

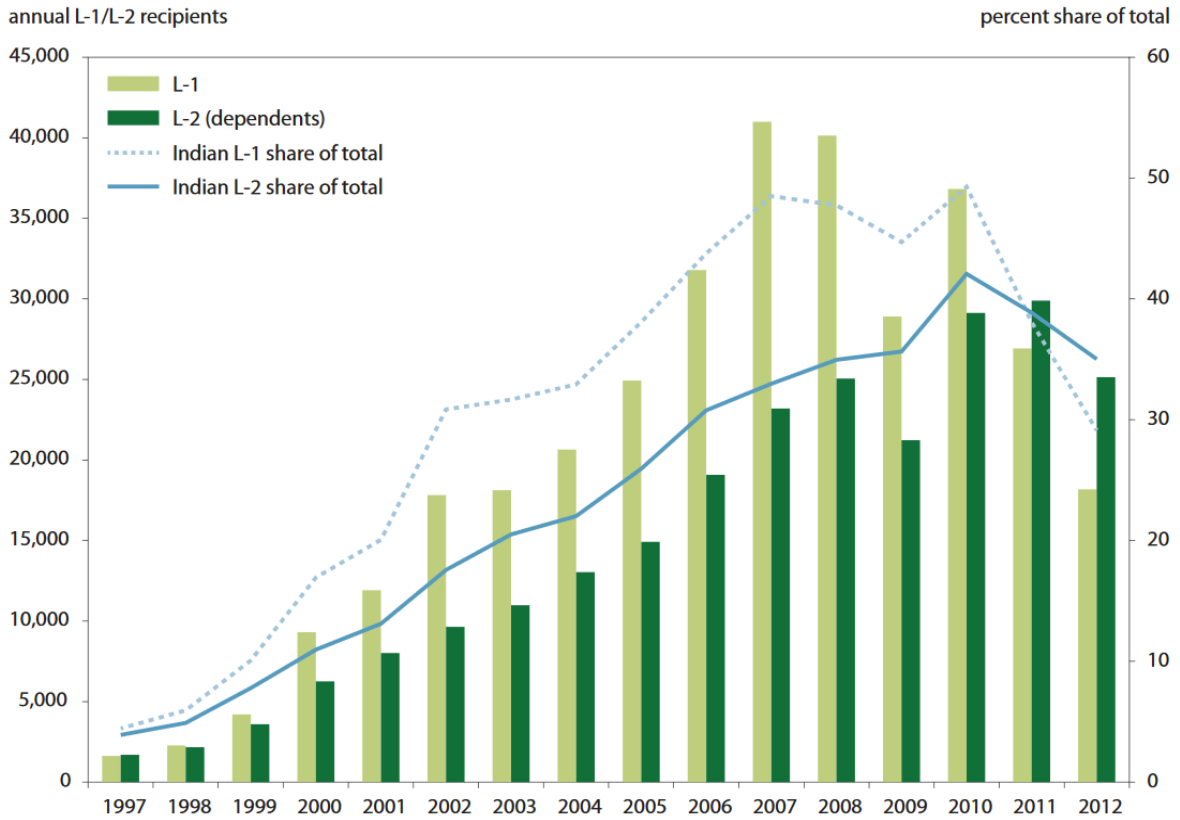


Figure 5: L1 / L2 visa issued to Indians

[Source: Department of Homeland Security, Yearbook of Immigration Statistics, 2007-2012]

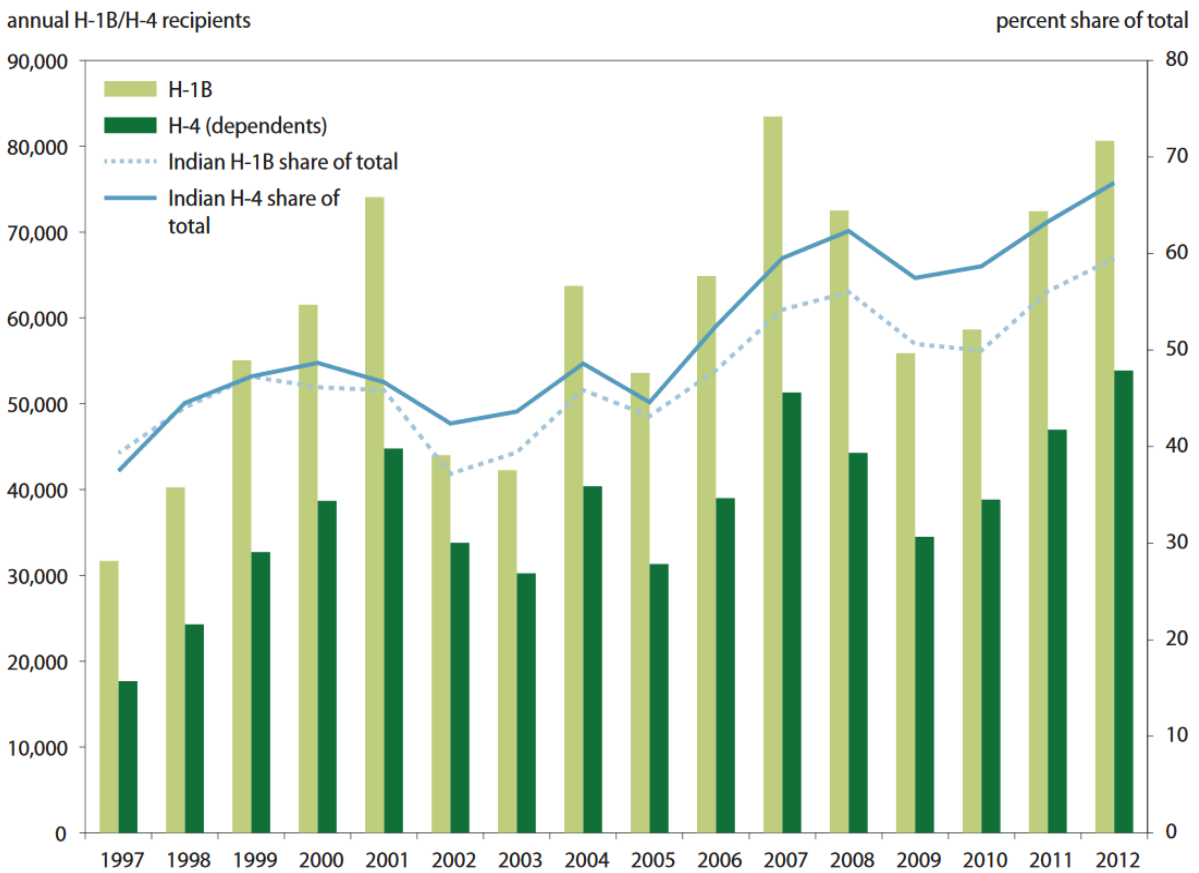


Figure 6: No. of H-1B and H4 Issued to Indians

[Source: Department of Homeland Security, Yearbook of Immigration Statistics, 2007-2012]

Table 8: Top 10 countries/economies of origin of temporary visa holders earning science & engineering doctorates at US colleges and universities, 2001–11  
 [Source: National Science Foundation, USA 2013b]

Country/ economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
China (incl. Hong Kong)	2,196	2,170	2,323	2,769	3,346	4,121	4,308	4,141	3,748	3,451	3,640
India	744	630	718	832	1,093	1,496	1,921	2,156	2,107	1,991	2,033
South Korea	833	820	936	1,030	1,136	1,197	1,128	1,150	1,173	1,075	1,079
Taiwan	534	457	447	395	443	452	477	462	543	501	570
Canada	266	265	290	356	330	326	352	370	385	339	305
Turkey	276	322	355	324	321	321	409	466	445	404	422
Thailand	270	317	339	302	281	218	235	290	219	182	235
Japan	137	144	180	170	187	194	210	209	190	172	177
Mexico	188	176	201	168	196	173	172	161	171	169	160
Germany	181	166	158	154	145	130	128	140	170	155	158

It can be seen from the data regarding the doctorate students holding temporary visa has been reducing from 2008 till 2011. This is partly due to the restrictive environment created by the USA for the post studies employment for foreign students. Since the major chunk of the students is from India, the country majorly affected by such subtle measures has been India and its economy.<sup>54</sup>

It is also reported by the PTI that the US Citizenship and Immigration Services (USCIS) has mandated that the entry-level IT professional is not one of the 127 listed ‘specialty professions’ which is a necessary pre-condition for obtaining an H-1B. A new amendment to the existing definition of the specialty occupation was provided by the USCIS by a new policy in March 2017. This is expected to have far-reaching consequences for the Indian applicants especially the IT industry at large.<sup>55</sup>

#### 7.4 India’s Response and Recommendations

India has raised the issue of the rise in Visa fee with the WTO. India registered a WTO challenge (DS503) against the increase in the non-immigrant Visa fee and requested to consult on the matter. This has come to light after the increase in visa fee by \$4500 for L-1 and \$4000 for H-1B visa which has made it tougher for the recruiters to apply for immigration and is forcing the companies to recruit local talent which is either very expensive or not fit for the role. According to India’s claims, these are in violation of the earlier commitments by the US as part of its Schedule of Specific Commitments under the General Agreement on Trade in Services (GATS) of World Trade Organization.<sup>56</sup>

India has reassured its commitment towards working against the anti-immigration plans of US.<sup>57</sup> It is always a great recommendation to continue the dialogue on the matter and other issues like the totalization treaties or the 50-50 rule for the organizations with more than 50 percent employees outsourced from India. However, the US should also be made to understand by the Indian that with such laws, though the Indian economy would be hit, however, the kind of jobs cannot be filled from its local talent resources.<sup>51</sup>

## 8. IMMIGRATION – SINGAPORE

### 8.1 Introduction

While the United States of America is geographically a major country with its huge impact on Indian economy in the West, we would also consider an extremely small nation but a significantly major economy in the east, Singapore. Singapore has long been the home to most of the Indians who had migrated during the pre-independence and post-independence period. While Singapore has been welcoming foreigners with open arms since a long time, it has recently started resorting to protectionist measures to safeguard the local population's interest and needs.

Singapore, an island separated out from Malaysian rule in 1965, continued to be an extremely diligent economy with an absolute strict Prime ministerial regime of Mr. Lee Kuan Yew. This little red dot has developed itself into a major port in the south-east Asia and transformed itself into a major hub for most of the Asian companies. All along this rapid development of Singapore, Singapore has been welcoming foreigners from different nations to support their development. Because of such a short and vibrant history, Singapore has a very little population who per se are originally and ancestrally from Singapore. However, natural citizenship was granted to all those who wished to apply for in the earlier years of Singapore's development. Because of this, Singapore now consists of 3 major races – the Chinese, the Malays and the Indians. However, there are other people from across the globe who have obtained either citizenship or have become Permanent Residents (PR) of Singapore. As can be seen from Fig. 4, a substantial chunk of the population is dominated by the non-residents. This number has fairly been at par with the increasing citizen population of Singapore.

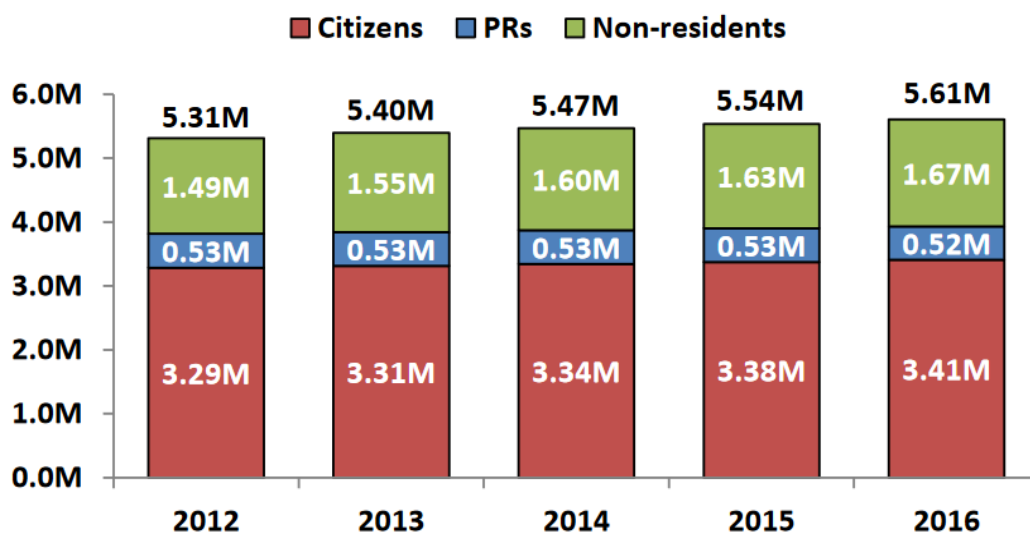


Figure 7: Population composition for the last 5 years<sup>58</sup>  
[Source – Department of Statistics, Government of Singapore]

A detailed pie-chart of the composition of the non-residents as per the data for June 2016 has also been shown below in the Fig. 5. 44% of the non-resident population consists of the Work permit holders and 16% consists of the dependents of Citizens, PRs and Work Pass holders. The third major proportion consists of the foreign domestic workers which majorly originate from Philippines, Malaysia, Thailand, and Indonesia. The Employment Pass and S-Pass holders share an equal 11% of the non-resident population. The last, but one of the most important foreign population share consists



of students. These students often further turn towards obtaining one of the passes – EP, S-pass or Work Permit.

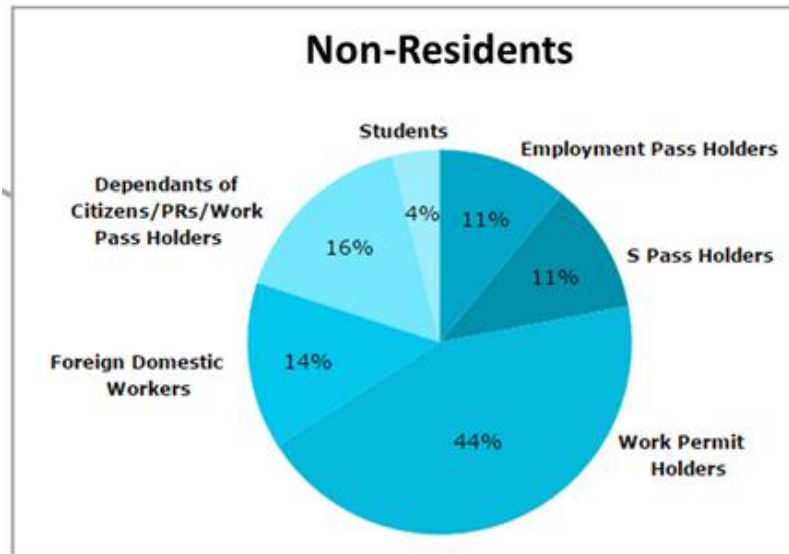


Figure 8: Composition of the Non-residents in Singapore, June 2016<sup>59</sup>  
[Source – Department of Statistics, Government of Singapore]

## 8.2 Regulations and Laws

Few of the latest regulations and laws that the Government of Singapore has implemented have been summarized below.<sup>60</sup>

- **National Jobs Bank** – All the companies in Singapore are mandated to post the vacancies and the job description along with the salary information on the Jobs bank portal for the local Singaporeans for the first 14 calendar days. If the locals don't apply or the company deems the candidate interviewed as not a fit for the role or organization, the company can recruit a foreigner and file for an Employment Pass(EP). However, in the application for EP, the company needs to mention the details of the local candidates interviewed and the reason for their rejection. There are a few exemptions to this rule as well but that is restricted to either intra-company transfers.
- The minimum salary required for an EP or S-Pass has been raised, including the additional salary requirements for those foreigners with dependent family members. This acts as a major barrier for the companies and deters them from recruiting foreigners. Recently, the salary limit for an EP was increased from S\$3,300 per month to S\$3,600 per month. The minimum salary required to have dependents in Singapore is S\$5,000 per month.
- A huge impetus to training and developing the local Singaporean nationals for Professional, Managerial and Executive (PME) roles within the Singapore based companies is being encouraged. This serves the two-fold purpose of education and development of the Singaporean nationals as well as maintaining the ratio of Singaporeans in all the organizations at the PME level.
- Regular assessment and scrutiny of the companies and repercussions against them, if the employers over-utilize the foreign manpower without the consideration of whether the local Singaporean national could perform the same task or not. Companies had the onus to

demonstrate their efforts in local recruitment and training failure of which might lead to the restriction of EP and S-Pass applications and renewals.

### 8.3 Agreements and Indian Stance

The then Prime Minister of India, Dr. Manmohan Singh and the Prime Minister of Singapore, H.E. Mr. Lee Hsien Loong signed a Comprehensive Economic Cooperation Agreement in June 2005. This was the first comprehensive trade agreement with any trade partner for India and which came into action from August 2005. The idea was initiated formally between then Prime Minister of India, Mr. Atal Behari Vajpayee and Prime Minister of Singapore, Mr. Goh Chok Tong in April 2002. Post this a Joint Study Group (JSG) involving the partners from both the nations was formed to understand the benefits of such an agreement to both the nations. Post the report completion by the JSG, Declaration of Intent was signed by the respective Trade & Commerce Ministry of both the countries. After 13 rounds of negotiation between the relative and concerned ministries of the two nations, the final agreement was signed between the two prominent economies of Asia. This agreement has also been notified to the World Trade Organization in 2007.<sup>61</sup>

As per the agreement, a mechanism has been set up where both the countries would set up a review to update and improvise the agreement to maintain the relevance to the incumbent conditions of economy and trade. The CECA has been reviewed once in 2007 which covered the issues of tariff concessions on part of both the countries, provision for the transfer or immigration of professionals, market access to financial services, Intellectual Properties regulations (IPR) cooperation and "Special Scheme for Registration of Generic Medicinal Products".<sup>62</sup>

As a result of the CECA between India and Singapore, bilateral trade has been estimated to grow from S\$ 16.6 billion in 2005 to S\$ 25.5 billion in 2013. The Indian Foreign Direct Investment (FDI) to Singapore also rose from S\$ 1.3 billion (2005) to S\$20 billion (2013).<sup>63</sup>

The second round of review is still under process and was initiated in 2010. There have been a lot of allegations on Singaporean government of not being keen on this review keeping in mind its new regulations which go completely against its commitment to India in the CECA. However, Singaporean and Indian governments have time and again announced their commitment to CECA.<sup>64</sup>

As per the recent measures, since February 2016, Singapore has been withholding the decision on the pending work permit applications of Indian companies. This has hugely hit the Indian IT industry where most of the firms of Indian origin, especially the top IT services companies for e.g. Tata consultancy services, Infosys, HCL, Wipro who had set up their Singaporean offices dating back to 1980's. Few other affected firms are MindTree, Larsen & Toubro Infratech, NIIT Technologies, Tech Mahindra and ITC Infotech. Such a targeted approach shows the contrast in its commitment towards CECA and the prevailing economic conditions in Singapore. Singapore has also asked the Indian applicants to go through an Economics Needs Test(ENT) which allows access conditional to the fulfillment of certain economic criterion. As per CECA, India is a trading partner for Singapore which eliminates Indians to undergo such a test. Since canceling the Visa request would entail a violation, Singapore has been keeping the status of the applications pending from the Indian IT firms. NASSCOM has also reported that all the Indian companies had received a communication to recruit candidates on a fair consideration which meant higher local employment.<sup>65</sup>

#### ***Comprehensive Economic Cooperation Agreement – India and Singapore***

##### ***ARTICLE 9.3: GENERAL PRINCIPLES FOR GRANT OF TEMPORARY ENTRY***

### *Movement of Natural Persons*

*“Neither Party shall require labor market testing, economic needs testing or other procedures of similar effects as a condition for temporary entry in respect of natural persons upon whom the benefits of this Chapter are conferred.”<sup>66</sup>*

Such non-tariff measures have brought in a lot of unpredictability and inconsistency into the business, which is directly impacting the Gross National Product of India and the income from the NRIs in terms of remittances. Many of the IT firms are incurring heavy costs in moving out of the region for better terms of trade with other nations.<sup>67</sup>

While both the countries are gauging what each country has gained in the previous years because of this agreement, the ministries have released the statements of not putting on hold the agreement amidst the arguments of Indian government putting the agreement on hold owing to the rising pressure from the IT industry and other allied industries.<sup>68</sup>

India and Singapore, apart from the CECA, have also signed the Strategic Partnership in November 2015 by the current Prime Ministers, Mr. Narendra Modi (India) and H.E. Lee Hsien Loong (Singapore), which detail the interests of the two nations for empowering the collaboration in pivotal fields like smart cities, connectivity solutions and economic cooperation. Though most of the points in this agreement focus on the support of Singapore in the development of Indian infrastructure, the impetus on the people-to-people link as part of promoting trade between the two countries.<sup>69</sup>

Another set of Free Trade Agreements signed by India with the ASEAN nations is the Regional Comprehensive Economic Partnership (RCEP) launched in 2012. As per 2017, RCEP nations accounted for 39% of the world's GDP. India has also proposed free movement of professionals across the RCEP nations including itself. The discussions are being held from July 2017 and are still to conclude. The proposed travel card is being negotiated with its possible pros and cons for each nation involved and how each nation can make the best of it. According to NASSCOM, around 4.54 lakh jobs in the 15 RCEP nations are held by the people in IT/ITES BPM sector. Out of this, around 1.72 lakh were direct jobs and around 2.82 lakhs were indirect jobs. While the RCEP is a broader agreement as compared to CECA but it does also impress upon the temporary movement of professionals.<sup>70</sup>

However, India is particularly not satisfied with the progress of the talks in the RCEP zone. Indian Commerce Minister, Ms. Nirmala Sitharaman had raised issues over the progress being slow in goods negotiations. So far four inter-sessional ministerial negotiations and eighteen rounds of Trade Negotiating Committee (TNC) at the technical level have taken place and the discussions are expected to continue till the first half of 2018.<sup>71</sup>

### **8.4 Recommendations**

India, since having CECA under progress and its review going on, should focus on the employment and free trade agreements between the two nations and try to leverage the easy access to India for Singapore to negotiate the issues of Visas. It should also try to stress upon the data available with the help of NASSCOM and try to argue the stance of Singapore in the increasing withholding of Work-permits though the overall confirmed work-permits has increased. India should also clarify in its argument for discouraging the fears of the RCEP nations and specifically Singapore that its movement of professionals is temporary and should not be confused with permanent movement.<sup>72</sup>

## 9. CONCLUSION

It is very clear now that theoretically a country exercises protectionist measures to ensure that their domestic business is not suffered due to the incoming foreign businesses. However, a few countries and leaders in specific owing to their economic superiority and political motives try to use these measures to not just improve the local business but also to hamper other economies. This has been debated a lot as to who would actually be the impacted in the long run.

India has always been against Protectionism. This can also be adjudged due to its fears for a heavy unemployment rate that might creep into its economy which already is dealing with huge population. Adding to it, India has its expanded its scope and presence in diverse businesses to a lot of countries across the globe. Also, the revenue from exports forms an essential part of our economy which is primarily imports-driven. In such a scenario, if the exports take a backseat, it hits the economy hard.

The finance ministries of the G-20 nations along with the heads of IMF and World Bank have agreed to support India's stand to fight all forms of Protectionism and maintain open trade and investment in 2009.<sup>73</sup> The concerns were also shared by Pascal Lamy, then Director General of World Trade Organization on the rising issue of the unemployment amidst protectionist measures by the major economies.<sup>74</sup>

With the discussion on Protectionism gaining traction across the globe in the scene of current international governance, Central bankers have also raised their voice. This came as a response to the President of the USA, Mr. Donald Trump's statements with 'America First' motive and possible chances of rising tariffs in all industries exporting to the US. Reserve Bank of India had mentioned that the global trade was not performing well due to the uncertainty around the US and its tendency for protectionist policies increased political rifts. Similar concerns were raised by the European Central Bank board members, Reserve Bank of Australian Governor, Pictet Bank economist among others.<sup>75</sup>

However, India, as mentioned earlier, has always been a proponent of free trade. It has also warned that if such an action must be taken, India would not hesitate to take similar protectionist action on the American companies profiting from their businesses in India. This came as a result of the recent tightening of US Visa norms on Indian companies operating in the US. India has strongly condemned the protectionist barriers raised by nations like US, UK, Australia and New Zealand and requested for a global framework for trade for services. It has also mentioned that it would engage in negotiations for visa issues.<sup>76</sup>

India should take a firm stand in dealing with the protectionist policies of the world's major economies. It should engage in discussions and negotiations with the countries on the possible ways of mitigating the tighter norms on Visa and immigration. India should try to involve the WTO to counter the immigration issues and bank on the agreements (e.g. CECA<sup>77</sup>, RECP etc.) it has already made as well as look for forging new relationships (join APEC etc.) or try to join other mega trade agreement deals in this regard. In terms of the anti-dumping norms levied on India, it should raise dispute cases in addition to increasing in quality of the products from India. It should also strive to match to global standards with respect to the technical trade barriers as well as sanitary and phytosanitary measures. India should also try to collaborate with other countries to achieve this. if the domestic regulations are also in coherence with the international standards; the manufacturers would be able to use their production interchangeably in Indian or foreign markets.<sup>78</sup>

Having discussed all of this, there is one measure that has been taken by India which has also been touted to be protectionist contrary to its stance. India has been vehemently trying to boost its domestic steel production and its market primarily within India by imposing anti-dumping laws on China. These measures are helpful for India where we have excess capacity of steel production and in a situation where India is trying to expand its export market in Steel. However, the quality and the extremely low price of the incoming steel from China has forced India to take such a drastic action. In essence, it can be said that this kind of protectionism is healthy for the country but might reduce the competitiveness of Indian steel industry on the long run.<sup>79</sup>

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