# The Interplay Between Immigration Law and Trade Policies

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## Abstract

International trade and Immigration are the two most important phenomena which are strongly related to each other. Migration policies ensure safety and security for the immigrants and the nation, whereas, on the other side, trade policies ensure the removal of trade barriers to provide free trade to the nations. Understanding the interplay between immigration laws and trade policies has become a necessity to comprehend the worldwide economy. The interplay of these policies can also lead to short-term fiscal pressure due to the ongoing changes between them. This paper highlights the correlation between these two policies and emphasizes the need for integrated policies to ensure steady growth and development in the economy. Policy synchronization between trade and immigration is essential and its importance can be seen by looking at the case studies given below describing how user-friendly immigration policies and liberalized trade has affected the global economy. Furthermore, this paper divides into a deep analysis of policies, emerging trends, and gaps that hinder growth and provide recommendations to develop balanced policies. Overall, this paper has shed light on the impact of immigration laws and trade policies on international competitiveness and economic growth.

## Introduction

Migration, the movement of people within or across borders, plays a crucial role in shaping a country's demographics. Individuals enjoy the freedom to move and work globally, provided they meet certain legal requirements. However, India has not traditionally been a major destination for immigrants. According to the World Migration Report 2020, only 3.5% of the global immigrant population is in India, with over half migrating due to safety concerns and others in search of employment.

India's immigration policies have historically been restrictive, primarily to prevent illegal migration and address security concerns. However, there has been a notable shift towards more open visa policies, especially for skilled workers in fields like information technology and pharmaceuticals. This change has helped alleviate skilled labour shortages and contributed to the country's economic development.

Migration and trade policies are closely linked, as migration can drive business expansion and economic growth. India's active participation in trade agreements and initiatives like "Make in India" reflects its goal to become a global manufacturing hub and increase exports. Issuing visas for skilled workers not only facilitates the spread of technology but also boosts export capacity, particularly in tech-related services.

India's diaspora and the remittances they send home are also vital to the economy. Sudden policy changes can significantly impact opportunities for the Indian diaspora. Remittances are a major source of foreign exchange for India, helping to offset trade deficits by providing capital inflows that stabilize the current account. While increasing imports often lead to trade deficits, remittances help bridge this gap, making them a more stable source of capital compared to foreign direct investment (FDI).

Moving forward, this paper will give you insights into the interplay between immigration laws and trade policies. It will help to learn the alignment and interaction between policies and how it will impact growth and development.

## Immigration Laws and Trade Policies

Immigration laws are the guiding principles stating rules for migrating to and from the country. These laws vary from region to region, country to country, and depending on the socio-economic conditions. These laws show the element of border control, especially for those who want to reside and work in the country. Various types of restrictions are imposed by using tariffs and quotas to restrict the goods immigrants can carry with them while entering the other country.
These laws have been modified with time. Some of the common key frameworks are:

1. **Immigration Reform and Control Act of 1986(IRCA)**[1] - IRCA decided to sanction undocumented migrants and put penalties on employers hiring unauthorized workers. These restrictions were applied to only those employers or recruiters who did not try to make their employees legal workers. It causes employers to discriminate against workers based on their nationality and they start cutting off their wages in terms of compensating themselves for the risk of hiring foreigners.
2. **The Foreigners Act 1946** - This act gives the government powers to regulate the entry and exit of immigrants and facilitate various types of visas such as tourist visas, study visas, skilled worker visas, and many more. It also allows authorities to reject the visa if the reason is found unnecessary.
3. **The Immigrants Act 2000**- This act was formulated against the carriers of passengers who brought them to India. Those carriers were sanctioned against the provision of the Passport Act 1920, and forced to pay the penalty. If it's found that the penalty has not been paid, then carriers' assets or goods are liable to be seized or detained.

Besides these key frameworks, **Trade Policies**(also known as Commercial Policies) play a crucial role in shaping the international relations of the nation with the outer world. A nation's commercial policies are those that are negotiated by the government during the time of international trade. These policies are affected by various components such as Tariffs ( these are the taxes imposed by the government on imported goods which further increase the price of the goods causing a reduction in imports. In some cases, countries use tariffs as a method to protect domestic

[1] Immigration Reforms 1986 :https://guides.loc.gov/latinx-civil-rights/irca

producers from heavy competition.), another method is by implementing Quotas( It restricts the number of goods that can be imported to the country. It is implemented generally for one year in most of the cases. Some types of quotas restrict the amount of goods that can be imported whereas in some cases it restricts the value of the goods.)

These policies are of various types such as regional trade policies, free trade agreements, and preferential trade agreements. These agreements have been described in detail in further parts of this paper.

The relationship between immigration and trade policies is very complex. Their interplay shows how immigration fills the gaps in the labour market and how this change in the labour market influences e among nations. For instance, immigrant workers can increase trade by demanding more consumer goods, and the demand for more goods will substantially increase the demand for skilled workers, hence, their interaction boosts the economy.

## Impact of Immigration Laws on the Labour Market

The Migration laws provide the right to protect borders, to protect the nationality, and to admit and expel the foreigners. The International Organization of Migration has given the data based on the research:

| | |
|---|---|
| International migrants in the world 2020 - 281 Million | Percentage of immigrants worldwide- 3.6% |
| Remittances Transferred Globally in 2022 by Migrants - $ 647 Billion | Migrants' workers in 2019 – 169 Million. |

The above table shows that there is more than a 50% increase in international migratory movement from the year 2019 to 2020.

The **Ministry of Advisory Committee** [2](a committee consisting of a group of people who provide external advice to the minister on specific issues) which came into force in 2007 by the "Labour Market Government" provides transparent advice to the labour market. It has been said that the globalization of migration has come, i.e., it has involved many countries being affected by migratory movements. The impact of migration on the labour market fully depends on the skill set, and qualification of migrants as compared to the existing workers in the short run, whereas in the long run, migration not only adds up to the labour supply but to the labour demand too.

[2] Ministry of Advisory Committee:https://dcmsme.gov.in/Advisory_Committee.aspx

Here, the question arises“ How does **Immigration affect the existing workers** ?”

It can be answered by looking at the basic law of supply and demand. Immigration increases the labour supply in the market due to which wages go down and now there are more people available to work at the prevailing wages (wages cannot go down due to the Minimum Wages Act), employers will reduce hiring the workers, which will eventually increase unemployment. However, in the labour market, immigrants and native workers are considered to be homogeneous but, in reality, they tend to be different in their abilities and work. The more different qualities they possess, the less competition they need to face. Many of the Immigration policies that open the borders for low-skilled workers will help to fill the positions that are less desired by native people and will substantially add to the economic growth.

## Impact of Immigration Laws on Demography :

Immigration also influences the demographics of the receiving country and the home country as most of the immigrants are younger, and give positive fiscal contributions (Orrenius,2017). The ability of the immigrants to enter the workforce and their expertise adversely affects the positive net fiscal effect. It can be seen that transparent policies allowing a large number of educated immigrants (brain drain[3]) have affected the demographics of the sending/home countries whereas brain-gain and return migration are the channels of positive beneficial effects for the sending countries.

Immigrants come from different cultures, traditions, and customs which foster the social cohesion of the host country. They have increased the accommodation demand which subsequently increases the demand for land, and houses, simultaneously affecting the rents. The hike in the demand for housing will spur development, and further stimulate economic growth.

Moreover, the influx of immigrants drives the growth of the population, gives a hike in the demand for housing, and pushes the demand for consumer goods which further contributes to economic growth and innovation.

## Case Study on US

Immigration has contributed to a large extent to the economic growth and betterment of the US. However, a major decline in migration patterns can be seen since 2017 due to the changes and **implications of stricter migration policies,** which were further got affected by the advent of COVID-19. The restrictions on immigration at the time of COVID-19 have had adverse effects on demographic proximity too. According to the data, there are 20, 00,000 fewer immigrants of working age people in 2021 compared to the 2019 trends.

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[3] Brain drain and brain gain:https://academic.oup.com/book/33042/chapter-abstract/281336749?redirectedFrom=fulltext

To study the patterns of the labour market, here, we used patterns of comparing the number of vacant positions employers who would like to fill the number of people looking for a job. The **vacancy to unemployment ratio (V-U)**[4] - The ratio shows the tight labour market and how very few people are unemployed.

So, new immigrants into the workforce will lower the V-U ratio by filling up the positions or by becoming unemployed. However, a new study has shown that migration of foreign-born workers has increased in the United States post period-2022 than native-born workers due to which foreign immigrants respond more to high demand for labour than native workers. Hence, a strong rebound in immigration has helped to ease the labour market tightness and close the gap in the market created during the time of the pandemic.

## Case Study on Canada

Canada is very famous for its flexible immigration policies. These policies have significantly impacted the economy and demographics of Canada. Canada followed a point-based system where it evaluates immigrants according to their education, funds, and skills. Canada policies are designed to treat labour shortages, due to which one can easily get a Canadian study or work visa. Immigrants also bring diverse cultures, and different customs which also makes one nation enriched with diversity.

While immigration helps to fill labour shortages, it also affects wage dynamics. Without inclusive immigration policies, Canada would have faced demographic problems leading to an increased ageing population, so, immigration helps to mitigate this demographic problem. The consequence of this started coming in the late 20s when there was an excess of labour supply and scarcity of labour demand.

To capitalize on its economy, Canada needs to harness its migration policies. Investing in the support services such as language training programs will yield better results.

## Impact of Trade Policies on Economic Growth

Trade policies Liberalisation was required to **open the economy for trade and investment** to achieve economic growth. Liberalization was done in the form of reducing tariff barriers and non-tariff barriers, harmonizing the trade agreement eg. NAFTA(North-American Free Trade Agreement), simplifying customs procedures, and promoting digital trade. Opening up their economies to the outer world has become essential for many developing countries to sustain comparative advantage over developed countries. The number of people living below the poverty

[4] Vacancy to unemployment ratio.https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm

line has been reduced by over 14% after the trade liberalization. Moreover, free trade helped to increase the income of the poor, raising them to the middle class and creating new employment opportunities which enhanced the economic momentum.

- **Positive impact :**
    1. It has given open exposure to investors and businesses and served new markets to trade.
    2. Global markets help to foster innovation by providing import facilities which improves productivity.
    3. Industries and firms can achieve economies of scale by trading in the global market.
    4. Trade liberalization often attracts foreign direct investment which spurs the capital inflow in the economy and revitalizes economic growth.
- **Negative impact :**
    1. The starting phase of trade liberalization causes drastic changes that hamper the economy adversely, leading to economic instability.
    2. Due to the massive changes caused by liberalization, micro and small enterprises that were new to the market found it difficult to survive causing them to close their doors permanently.
    3. Liberalisation of trade forces small firms to amalgamate with large firms causing small and micro firms difficulty to adapt changes frequently.

## Trade Agreements and Global Economic Relations

A trade agreement[5] is a contract that is signed among countries disclosing their guidelines about trade and concerning their trade relationship. Different types of trade agreements are:

**Preferential Trade Agreement**-This agreement is signed by two or more countries to give preferential treatment to trade between goods and services by **decreasing the tariffs and non-tariff barriers.** PTAs can threaten the constancy of the world trading system as in this, countries began to look at the regional trading agreement neglecting the global economic system which can lead to the fragmentation of the current prevailing system (over-dependency of countries on imported goods can also lead to supply chain disruptions).On the other side, PTAs can be beneficial for the involved countries. Countries get easy access to each other's markets and can foster economic ties. Overall, PTAs can offer benefits to the involved countries but they need to mitigate their negative effects too.

For instance, **Mercosur is the trading bloc** consisting of Uruguay, Paraguay, Argentina, and Brazil. Their main aim was to establish the free trade of goods, services, and capital among four countries. A framework **agreement** was **signed between Mercosur and India in 2003** to

[5] International trade administration: Trade Agreements:https://www.trade.gov/trade-agreements

negotiate free trade areas and facilitate the movement of goods and services. So, a final agreement was signed in New Delhi in 2004 to expand and strengthen the existing relationships among them. Henceforth, India-Mercosur relations have been working effectively since 2009.

**The Generalised System of Preferences (GSP)** - established in 1974 by the US Trade Act, is an agreement that came into force to promote economic growth in underdeveloped countries by providing unrestricted access to a multitude of products. It has a **total of 119 involved countries** [6]and territories. It has contributed to economic development by removing duties on various products and helping in economies of scale.GSP allows products imported at the intermediate stage and also helps firms to remain competitive internationally and domestically.GSP allowed developing countries to export duty-free goods to the US but India's role in GSP under the trump administration was terminated, affecting India's trade adversely, whereas before the termination of the agreement, India was exporting goods in large numbers. However, The meeting of Prime Minister **Narender Modi with US President Joe Biden** has shown India's interest in **reviving the GSP agreement** which will help to expand India's economy.

**Free Trade Agreement** - is the agreement that allows free trade between the involved states. FTAs are of two types; **bilateral (agreement between two countries) and multilateral (agreement involving more than two countries)**. It is a form of pact that determines the tariffs and duties imposed on imports and exports of goods and services and works to reduce these tariffs and non-tariff barriers by including certain clauses and guiding principles on trade facilitation. It provides preferential treatment among its registered countries which is legitimate under WTO Law but involved parties of free trade area are not permitted to treat non-registered parties less favourably. Overall, FTAs can be beneficial in most of the effects but one should also focus on its negative impact. India's relationship with Southeast Asian countries goes way back to history when Indian kings used to go there and set up their dynasties.

The **India-ASEAN agreement** came into force on 1 July 2015. India stands at 7th position in terms of trading with ASEAN, whereas on the other hand, ASEAN stands at 4th number in terms of trading with India. To strengthen the relations with southeast Asian countries such as Myanmar, and Cambodia; India is setting up various project hubs with the help of Separate Special Purpose Vehicles. But these relations have challenged the domestic producers as cheaper imports of goods risk the business of local producers, eg; Rubber producers of Kerala have been impacted due to the cheaper import of rubber from Malaysia. Henceforth, It can be said that although India's working in FTA's has impacted the domestic producers but has also boosted the economy of the country.

[6] Beneficiary countries:https://www.drishtiias.com/to-the-points/paper3/generalized-system-of-preference

**USMCA Agreement-** The USMCA is a trade deal among 3 countries: the United States, Mexico, and Canada. It replaced the NAFTA agreement which was prevalent since 1994. Under the NAFTA Agreement, the tariff was reduced for goods passing through North American boundaries but later on, after the establishment of USMCA, tariffs on various agricultural and automotive goods, many other goods were eliminated. It will expire in 2026 after 16 years of its effectiveness. It also includes amendments related to intellectual property rights, labour concerns, and dispute settlement.

The **USMCA has set up certain labour and environmental standards,** whereas India hasn't shown keen interest in implementing such standards for commercial diplomacy, on the other hand, the US opposed India's hands-on agriculture and dairy sector licensing methods. India already enjoys good relations with the TPP countries[7] which also promises to give various rewards to India. It gives chances to **India to become a manufacturing hub shortly**. At least, it can be said that these negotiations must conserve the sound balance between international trade and pivotal domestic policies.

## GATS and MODE-4

### GATS

The General Agreement on Trade in Services(GATS) is the framework agreement for trade in services which is followed by all the **148 WTO members.** The main motto of this is to liberalize the trade in services, to increase the participation of developing countries, and to work on economic growth and development. The one side of the GATS consists of general obligations which also include commitments made for particular sectors. For instance, one of the general obligations is the MFN( Most Favoured Nation) requirement which treats all WTO members the same as the MFN is treated.

### MODE-4

The movement of people varies from the length of their stay to their main motive to move to a particular nation. This movement varies from one day to permanent varying from skilled to unskilled workforce. So, MODE-4 includes some aspects required during the time of migrating.

Or

It is defined as the supply of service by a service supplier of one member with the help of the presence of a member of another nation. GATS MODE-4 covers:

- Members provide technical staff assistance where a foreign service supplier brings a contract to supply services to the beneficial country and sends employees to provide services.
- Individuals selling services abroad without being in a partnership

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[7] TPP Countries-https://thediplomat.com/2018/12/how-india-is-navigating-global-trade-agreement-trends/

- A person employed by foreign companies established in the host country.

GATS only covers services and service supplier, for instance, whether a person selling fruits in the foreign market will be considered a service provider or not is decided under the GATS agreement and it also depends on how broadly WTO members interpret it.

On the other side, **MODE-4 service suppliers are temporary**, receive entry for specific purposes only, and are confined to one sector only.
India's performance in GATS-MODE4 is strong due to its performance in the software and IT sector. India's professionals travel outside the country to deliver their services onsite, which is the core element of MODE-4. Out of total service exports, India's software exports account for 48% 1% stands for onsite exports and 59% for offsite exports.

India's new MODE-4 agreement which comes under the Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association(EEFTA) works to make the movement of professionals and skilled workers between India and EEfTA[8]countries easier and smoother. This **agreement aims to increase service exports** by modifying the commitments and reliability for the entry and exit of immigrants and to increase investment and employment opportunities.

**Comprehensive Economic Cooperation Agreement(CECA)**
CECA is the agreement between Malaysia and India to strengthen their bilateral trade. It was signed on February 18, 2011, and came into force on July 1, 2011. The main objective of the agreement is to **enhance their socio-economic benefits**, improve the living standards of the people, and ensure rapid growth in real incomes in their respective geographic areas. It also ensures to **increase the investment in India in the Malaysia market**, focusing on strengthening India's ties with Southeast Asian countries. The agreement aims to enhance economic and social benefits, improve living standards, and ensure high and steady growth in real incomes in their respective territories by the expansion of trade and investment flows, to promote economic development, and to promote investment between Malaysia and India. **It enhances trade by removing tariffs on more than 90% of goods** and also influences the trade in services by ensuring that service providers of both nations have safe and secure market access.

India's exports to Malaysia comprised US$6.63 billion and Malaysia's export to India comprised US$12.42 billion in 2011 whereas in 2016 trade with India amounted to US$10.77 billion from US$12.02 billion in 2015 showing a 5% decrease in trade. Exports recorded a 7 decrease from 2015

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[8] EEFTA COUNTRIES-https://www.indiatimes.com/explainers/news/india-uae-new-free-trade-agreement-562731.html

to 2016. Major goods that were exported by Malaysia to India in 2016 were palm oil, electronic items, crude petroleum oil, metals goods,, and chemical products. Goods that were exported by India in 2016 were agricultural products iron & steel products and chemical products. India stands at 7th position in 2016 being a largest trading partner and 11th largest import destination.
One of the **major issues of India with Malaysia is the trade deficit,** i.e., India's trade deficit with Malaysia, however, this agreement is focusing on providing more balanced trade reducing the deficits. Hence, India and Malaysia both have complementary economies so, CECA is now focusing on boosting these economies and also contributing to bringing regional stability and cooperation.

So, there are various types of trade agreements that foster trade among nations by reducing tariff and non-tariff barriers, further stimulating economic growth.

## Economic Sector-Wise Analysis

Our economy is highly influenced by the IT and BPO sector which has impacted the worldwide workforce and labour market. The IT (Information Technology) and BPO (Business process outsourcing) sectors play an important role in driving the economic growth of the service sector of India and globally. The **IT and BPO sector is the largest sector** with the highest number of workers, providing jobs to millions of people, particularly in developing countries like India. These sectors' income is highly dependent on export-related activities. The revenues and income generated from exporting software services and outsourcing activities contribute to the active inflow in the country's foreign exchange reserves.

IT and BPO sectors are the major attraction for investors which subsequently brings foreign investment and income, and also contributes to the GDP. People working in these sectors generally have **high disposable income** which further increases the demand and spending on goods and services, stimulating the growth in other services as well. These sectors also invest heavily in training and development of their workers which increases the skilled workers and further creates a competitive labour market benefiting the global economy. In conclusion, IT and BPO are important to the expansion and growth of service sectors which also boosts the other sectors of the economy.

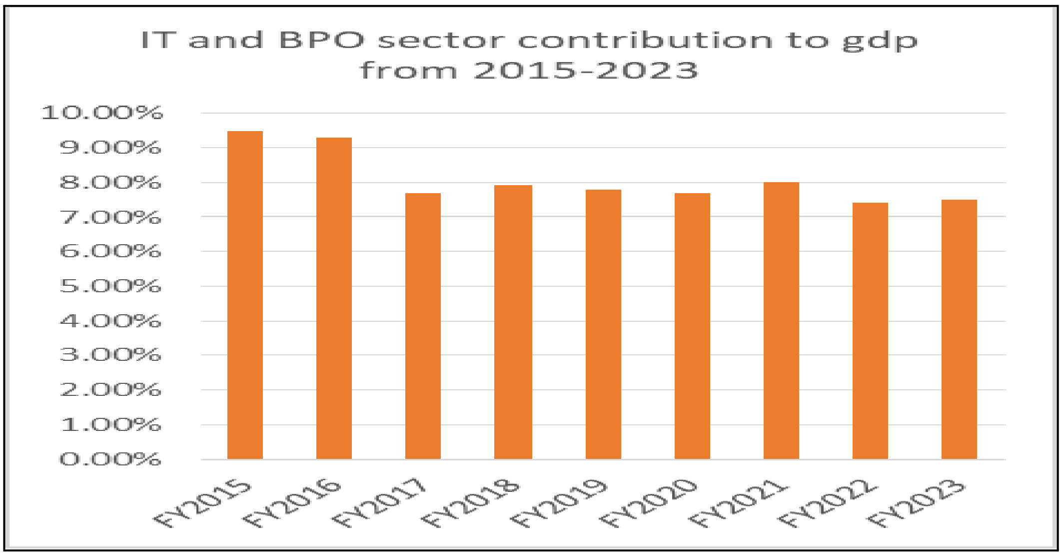
**For example:** HSBC (Hong Kong and Shanghai Banking Corporation)[9] are the financial service providers. **HSBC has outsourced a major part** of its backend activities **to Indian companies** which ensures high quality of work with less expenditure on operational activities and also helps to work round the clock due to its time zone benefit.

[9] Hongkong and Shanghai Banking Cooperation:https://www.about.hsbc.com.hk/#:~:text=%E7%AE%80%E4%BD%93-,HSBC%20in%20Hong%20Kong,bank%20incorporated%20in%20Hong%20Kong.

By amplifying India's expertise in the IT sector, HSBC has been able to fulfil its commitment on time and bring changes according to the market demand and people's preferences.

India's IT and BPO sectors have experienced remarkable growth in history; The establishment of the IT sector started in the late 1980s along with the advent of liberalisation policies in 1991, and it accelerated the growth as it opened up the countries to invest worldwide. Various companies come up to establish themselves as the key players in the market such as Infosys and Wipro. On the other hand, the rapid pace of growth makes India attractive to provide services, so many companies started outsourcing their activities to India. Hence, the BPO sector began to grow offering services such as customer support, data entry, and many more.

The **onsite-offshore delivery model became a standard** at that time. This model allowed Indian companies to provide round-the-clock services and maintain close relationships with clients. Henceforth, this sector has transformed the Indian service sector creating plenty of jobs and making India a key player in the global digital economy.




The above graph shows the contribution of the IT and BPO sectors to the GDP, i.e., which shows the GDP share of these sectors, that is,9.4% in 2015  which decreases to 7.5%in the financial year 2023. India, being the largest destination for offshoring activities for different IT companies, will contribute to 7.5% of GDP in 2023. The banking and insurance services were the key exports segment. The spending in the IT sector in India has reached approx US$112.55 billion which is less than what was expected. It was expected to be US$124.6 billion approximately in 2024. The industry has helped generate employment in the private sector. Big tech companies like Wipro and Infosys have decided to expand their services in blockchains, artificial intelligence, and robotics, but the banking sector still shares the largest part of the annual contracted value.

## The Onsite-Offshore Delivery Model

The Onsite-Offshore Model is a widely used approach in the IT and BPO sectors. This optimizes service delivery by combining the strength of the team in different geographical locations. The onsite team is available near the client's location or basically in the host country. This team is in direct contact with the clients and fulfills their requirements and needs. The offshore team is located in different countries, mostly in developing countries like India because it is easy to get highly skilled professionals and cost advantages. Their main role is to ensure quality, prepare documents, and routine operations.

This model provides access to a vast pool of skilled professionals globally and also lets companies tap into specialized skills. Time Zones are beneficial but sometimes they can possess challenges in terms of real-time communication. The onsite-offshore delivery model is a strategic approach that combines the strength of onsite presence with the cost-efficiency of offshore operations.

**For Example-Toyota is one of the world's largest automobile companies** which has used the onsite-offshore delivery model. Toyota has onsite teams located in the US, Europe, and Japan. These teams look after the client needs, and market preferences and ensure that their recommendations align with the global standards. Toyota ties relations with Indian IT service providers such as TCS to manage its offshore development activities, i.e., the work related to coding, testing, and implementing was carried out by the offshore team whereas the onsite team works to gather the designs and the required changes in their techniques.

### India's Role in the Onsite-Offshore Delivery Model

India plays a crucial role in the onsite-offshore delivery model, especially in the IT, BPO, and pharmaceutical industries. India has been leading in this model due to various factors:

1. **India** has a **high ratio of skilled and well-educated professionals** especially in STEM(Science, technology, engineering, and mathematics), providing a substantial supply of professionals globally.
2. The presence of labor at a lower cost while maintaining the quality of work also increases the chances of Indians getting hired and the time difference between India and Western countries also ensures the time zone advantage.
3. The scalability combined with the ability to adapt the changes quickly makes India an attractive destination for offshore services.

These sectors have led to economic growth and also led to the rise in real GDP. The contribution of these sectors has been seen in the GDP as it was estimated to be US$2.08 trillion in 2023-24. It also led to the establishment of unicorn and tech start-ups. The IT and BPO sector in India is envisioned to grow at US$ 152 billion during the year 2022-27, facilitating a Compound Annual Growth Rate of 10.8% during the forecasting period.

**For example- Infosys is using the Onsite-offshore delivery model** where it places a team of professionals at the client's host country or location. They interact with their clients, gather information, and do the direct management of the projects, on the other side, the operational activities like development, software development, testing, and quality assurance are done by the team present in India only (offshore). Infosys maximizes its workforce in India due to the availability of skilled professionals at a lower cost. This model has worked very well for Infosys to expand its share globally while maintaining cost-effectiveness and quality.

**While looking at India's working with this model, there are various suggestions India should follow to improve its work efficiency:**

1. Maintaining control of the activities - as offshoring is not always effective, so proper setting of goals and a robust business case at the outset will ensure a focus on the possible actions and will help to avoid the distractions that don't support the primary objectives.
2. Provision of data security and governance - for two decades, ensuring the safety and security of data across borders become a necessity. India should focus on providing security and establishing data safety regulations.
3. Focus on regulatory and legal risks- As offshore operations require documentation and are high-risk averse, so focus should be made on understanding all the regulatory and legal implications and working on mitigating the challenges involved.

**So, these are some of the recommendations India should focus on to get better results.**

## Impact of Trade Liberalisation on the economic growth of India

India's economic development has been completely affected by trade liberalization for the past few decades. Prior to liberalization, India followed a closed economy providing protection to domestic consumers, imposing high tariffs on imports and quotas on exports, but after the advent of Liberalisation, Privatisation, and Globalisation (LPG), it has shown a substantial shift in the development and growth of the economy.

**Trade liberalization reduces the import tariffs**, eliminates import licensing, and quotas on exports, and also opens the market globally. It also follows a user-friendly policy to invite investors, and businesses to start their businesses. With this, a significant rise in the GDP has been seen spotlighting the economic expansion. It has also created a more liberalized environment for foreign direct investments and has also improved international competitiveness.

However, benefits were not uniform and it faced some challenges, for example; it was difficult for India to withstand during the time of crisis due to its economic fluctuations. Import of Oil has increased with time resulting in the trade deficit. So, to address the challenges, India should take steps to invest in infrastructure, create more employment opportunities, and move forward with sustainable development.

Henceforth, although India faced some issues at the international level, it also helped to boost the economy.

## The interplay between Immigration lLawand Trade Policy

Immigration laws and Trade policies are the two important dimensions of government policy that significantly impact economic growth and international competitiveness.

According to the **Economic Theory of Comparative Advantage,** countries prefer producing those **goods and services** that **lower the opportunity cost so** immigration tends to increase specialisation by providing an extensive labour force that aligns with leverage abilities. When immigration laws are lined up with trade policies, it has an interactive effect on economic growth, innovation, labour market outcomes, and trade patterns.

Immigration law affects the labour market dynamics by addressing the problem of labour shortages and providing skilled and high-tech specialised workforce to the industries. Immigrants bring assorted skills and perspectives, nurturing innovation. Countries offering Immigrant policies have shown much better results in areas of innovation and technology as migrants have shown their interest in entrepreneurship compared to native workers which spurs economic dynamism. It also neutralizes the negative impacts of an ageing population by contributing to the demographics by expanding the young workforce. Immigrants also modulate the demand base by enhancing the country's attractiveness to global investors which furthers the trade.

On the other hand, Trade policies have liberalized trade by reducing tariffs and non-tariff barriers and providing opportunities to access the worldwide market and achieve economies of scale.

Open trade policies have enabled involved countries to comprehend global supply chains and have provided specialization in the production sector. Trade policies have attracted a large number of foreign direct investments which bring capital, and technology, and contribute to the nation's development.

Calibrating immigration policies with trade policies ensures an **appropriate workforce in the labour market.** For example- Immigration policies have provided an open door policy to low-skilled labour to fill the gaps in the labour market, hence increasing immigrants will increase the demand for goods, thereby increasing the trade too and a hike in the demand for goods will also increase the demand for workers for various sectors of production, thereby opening the opportunities for immigrants too. This is an example of how immigration and trade policies influence and affect each other. Rational policies that blend immigration and trade effortlessly give a unified effect, enhancing the overall economic performance.

- **Labour Mobility and Trade Services**

The interplay between immigration laws and trade policies also affects labour mobility and trade services. Immigration laws impact the movement of people along the borders, so, user-friendly immigration laws will increase labor mobility. Due to its impact, fast and rapid growth is seen in the volume of international trade. The trade of goods and services has increased by approx 7.3%. The untroubled cross-border services have influenced the IT sector and financial and pharmaceutical sectors.

Immigrants help to reduce the cost of importing and exporting services by assisting domestic industries to bridge cultural and regulatory gaps. For example, Selling services abroad requires a sophisticated comprehension of cultural differences while selling legal services requires a deep understanding of the legal system.

In conclusion, it can be said that international trade and immigration are the fastest-growing components of globalization. The role of immigrants in assisting services is much more complex than in assisting in goods trade because trade services require overcoming the gaps between cultural and institutional barriers. The ease-going policies help to increase the competitiveness in the trade of services.

## Case of US

The H-1B visa[10] a program implemented by the US government allows US companies to recruit high-skilled workers, especially in the field of STEM.

On the other hand, the North American Free Trade Agreement (NAFTA), now known as the United States –Mexico-Canada Agreement (USMCA) eliminated the tariffs and non-tariff barriers to increase trade. Their main motto was to increase the trade of Mexico with the US and Canada and results have shown that US FDI in Mexico has increased from 15 million USD to more than 100 million USD. This integration of skilled migrants and trade policies has fostered economic development and employment opportunities.

At last, it can be said that migration policies contributed to the skilled workforce in addition to which trade policies fostered the trade.

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[10] H-1B visa

## Policy Analysis

- ## Current Policy Landscapes

Most countries are following open-door policies to attract highly skilled workers and specialized labour. Whereas, on the other hand, strict immigration controls and tight policies to ensure the safety and security of the nation are affecting the ratio of immigrants. Most nations are also providing socio-economic support to ensure the safety of the immigrants. `

Let's have a look at India's policy landscapes. For decades, India has been an attractive destination for foreign investors.UK and US are among the top 10 foreign investors in India and it has been increasing rapidly. The substantial liberalization of the Indian economy has increased the number of joint ventures in the market. Various laws have been framed regulating the registration of foreigners. The provisions Indiahass following for years have focused on safeguarding the interests of national security, for instance, to ensure and confirm the resident's identity it is necessary for foreigners with a valid visa for more than 180 days should present a registration report at the place of arrival within 14 days of arrival, several other restrictions were impacting the immigration to India. After **the Foreigners Act of 1946,** there was a **rise in immigration of multinational business executives** ( Business Visas, however, have various restrictions and limitations ), work visas, and many more India has modified its policies and has started with the provision of overseas citizens of India (OCI- under this, citizens of India can have one or more than one citizenship ) and foreign workers working in India are liable for various taxation and they are not allowed to follow dual nationality.

Under the **free trade policies of 2020**, India has worked **to reduce the cost and time** while obtaining export permissions, to increase the trade from the grassroots level to the high level, and also worked **to promote the trade in INR rupees.** India's trade policies are evolving to balance and maintain the economy with global economic integration with the motto of getting a combined export target of US $2 trillion by 2032.

WTO is still working to expand the FTAs to enhance the market worldwide and to provide protection against disputes that disrupt the global supply chains. They have been working on developing digital trade policies to resolve issues online, and data flows and to provide intellectual property rights.

- ## Gaps and Challenges Current Policies

A substantial gap in the current policies can be seen because of the uncoordinated policies. One of the significant challenges in immigration laws is the complex nature of policies which has started creating barriers for skilled workers to migrate. Many **countries following strict visa policies** failed to attract a quality workforce. Moreover, inadequate support given to the immigrants also hinders the development of the economy. For instance, one of the major challenges for India's government is to adapt to the changing world order. The diminished dominance of Western countries has resulted in the disruption of the current phase and has altered the relations with the other states. India needs to fashion its policies in such a way that offers opportunities for expansion of India's market worldwide. Some of the reasons are given below:

**Brain drain** is impacting the economy adversely as skilled and educated people decide to move out of the country for better opportunities which further impacts the home country's economic growth and development. Rising protection against trade poses challenges to global trade policies which often leads to disputes among nations and impacts the global economy. Trade policies focus on removing barriers to trade and expanding market access whereas immigration policies restrict the migration of people which leads to a shortage of people to make benefit from barrier-free trade. Many **policies neglecting the socio-economic benefits** of immigrants give rise to marginalization and underutilization of their skills.

In light of this, mediating a balance between security concerns and immigration openness is an ongoing issue.

## Policy Recommendations

1. **Point-Based Entry System**-India must follow the express entry system like Canada which handles the application for various immigration programs and also provides provision of family sponsorships which allow family members to move to the country easily and should work on Facilitating easier work visa processes for international students graduating from Indian institutions.
2. **Provision of start-up visas-** The government should start providing visas easily to those interested in developing their start-ups and keen entrepreneurs which will significantly boost the trade and economy of the country and provide tax incentives for R&D activities. Establish innovation hubs and incubators in partnership with academic institutions to support start-up ecosystems.
3. **Implementing Go-Out policy** - Promoting foreign investment using a go-out policy. The main motto of this policy is to lead the export-based economy to integrate into global supply chains and become the manufacturing hub in the world..Simplify FDI regulations and provide faster clearances for investment projects. Promote India as an investment-friendly destination by enhancing the ease of doing business and reducing compliance burdens
4. **Provision of Safety Measures**-Expand social safety nets, such as unemployment insurance and retraining programs, for workers displaced by trade liberalization. Provide financial assistance and counseling to help workers transition to new industries.

5. **Strict Deportation and Regularisation Procedures-** Develop clear and fair policies for the regularisation of undocumented migrants. Implement streamlined deportation procedures for illegal immigrants while ensuring human rights are respected.
6. **Integrating and Implementing Skill Development Programs Large-scale** skill development programs tailored to the needs of emerging industries in order to export services and integrate sustainable practices into trade and industrial policies such as green technologies, renewable energy programs, and eco-friendly agricultural practices
7. **Neighborhood policies The government** must follow and add substance to neighborhood policy where the fresh emphasis should be laid on regular political level engagement and on expanding the trade relations with neighbors. Diversify trade partnerships by exploring new markets in Africa, Latin America, and Southeast Asia. Enhance trade agreements with these regions to reduce reliance on traditional partners and mitigate trade risks.
8. **Forming National Trade Facilitation Committee-** Formation of the National Trade Facilitation Committee to streamline trade processes, resolve bottlenecks, and enhance coordination between customs and immigration. Prioritization should be given to the development of regional trade agreements that facilitate cross-border trade with the South Asian Association with Regional Cooperation (SAARC). Indian companies must also focus on investing abroad to integrate into global supply chains.

**By focusing on these gaps and challenges, countries can improve their economic performance by implementing effective policies and can create a dynamic and resilient economy.**

## Conclusion

The interaction of immigration laws and trade policies significantly influences economic growth and international competitiveness. This paper has shed light on the role of immigration laws and their impact on the labor market and economic growth. The case of the US has shown how efficient immigration policies like the H-1B visa policy followed by the US along with efficient trade policies like NAFTA have filled the labor shortages and improved the efficiency in the labor market. Immigration laws are somewhat stricter than trade policies due to national security concerns and to have valuable and legal migration but some countries need to implement open door policy to make the migration process simpler and easier. This can be seen in the case of Canada where they followed open door policy and have welcomed large numbers of migrants. It has shown positive results till the 2020s but now, it has started showing consequences of higher labor supply with decreased job opportunities. So, Canada now needs to mitigate and modify its reforms of migration to protect its economy.

Trade policies facilitate free trade among nations by eliminating trade barriers and providing open market access globally to the nations. These policies also attract foreign direct investment, boost economic growth, and integrate the nations into global supply chains. The case of the US has shown how the agreement of NAFTA (now known as USMCA) has increased the FDI of the US in Mexico in large proportion. The case study of China is the finest example of showing how the liberalization of trade and expansion of their markets worldwide has impacted their growth and has driven remarkable development.

Current policy landscapes point towards the trends and patterns followed in integrating immigration and trade policies. Inclusive migration policies have led to a brain drain affecting the demographics and economy of the sending country. Integrating these policies is causing underutilization and marginalization of resources. It is a need of an hour to mitigate these gaps through inclusive and efficient policies to boost economic pliability.

Moreover, this paper has added some recommendations to enhance the performance of policies including immigration policies which need to be inclusive and user-friendly to ensure the comprehensive trade. Ultimately, Countries can foster economic growth by leveraging the effects of comprehensive immigration and trade policies to achieve persistent economic advancement.

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