

# US hits Indian IT with unfair barrier

S. RAGHOTHAM and SANGEETHA CHENGAPPA  
BENGALURU

Aug. 8: Just as Indian IT services firms were getting back on the recovery path, announcing fairly good Q1 results, a new US legislation that does not have even a remote connection with outsourcing or trade threatens to hit them where it hurts most. The Border Security Bill, which seeks to enhance security at America's border with Mexico, seeks to penalise Indian IT outsourcing companies in the form of a huge hike in H-1B and L-1 visa fees.

The bill, passed by the US Senate last week and expected to be presented in the House of Representatives on Tuesday, seeks to enhance funding for US SouthWest border security by approximately \$600 million so it can station 1,500 new enforcement agents and



While US President Barack Obama talks up America's partnership with India and is all set to land in India in November to a rousing reception, the US Senate passed a bill last week that seeks to rob Indian IT outsourcing companies to pay for its own border security requirements. With friends like these...

agreement with 28 countries, with whom they have a quid pro quo arrangement, but no such agreement has been signed with India yet," said Mittal. While large IT companies can absorb the cost implications of the bill, it will impact smaller companies quite hard, the industry fears. US President Barack Obama, who has made outsourcing to India a target ever since his presidential campaign and who has repeatedly pointed to Bengaluru and India as snatching away American jobs, is set to visit India in November. The much-enamoured Indian government is preparing a rousing welcome for him. Efforts are also on by the Karnataka government and the industry, including both Indian and American giants, to get him to visit Bengaluru as well as make a special trip to the Hampi world heritage site.

**"We understand that the US needs to beef up security along its Mexico border, but it seems like the funding proposed by this bill will be raised largely from the Indian IT sector."**

additional unmanned drones along the US-Mexico border. But the way the bill, introduced by Democratic

Schumer and Claire McCaskill, seeks to raise the money for it — by hiking fees for H-1B or L-1 visa applications, and laying out clauses that ensure that only Indian IT outsourcing companies will be hit — has raised concerns. Given their current take-up of these visa categories, the Indian IT outsourcing industry will collectively take a hit of \$200-250 million a year.

Concerned that the bill would make Indian IT outsourcing companies less competitive vis-a-vis their IBM and Accenture, since they would have more US

citizens on their rolls than Indians, Mr Mittal said, "Indian companies take up a fraction — under 12 per cent — of the total H-1B visas. The US companies, who also use these visas in large numbers, will remain unaffected by the bill, thus unfairly reducing the competitiveness of Indian firms."

That the target of the bill is Indian companies has been clearly stated by the bill's authors themselves.

While officials from TCS and Cognizant refused to comment on the implications of the bill to their overall costs, preferring to wait and watch the situation unfold, Infosys Technologies head of HR TV Mohandas Pai said, "The Bill is clearly a non-tariff barrier and is discriminatory, which will only create less efficient markets. At a time when there is a need for open markets and when all heads of states have been talking about it, the bill is an attempt to raise money by increasing visa fees for a totally unrelated matter, border security."

Pratik Kumar, former vice-president of HR at Wipro said, "Although the bill will not significantly impact us cost-wise, it is unfairly and unevenly targeted at a particular sector in one geography, which goes against the spirit of open economies and free trade. In the meanwhile, we will continue to focus far more vigorously on offshoring and localisation, which we have started doing over the last two years."

Currently, in the absence of a totalisation agreement, Indian firms and Indian citizens pay in excess of \$1 billion to the US in social security, with no benefit of

## US Senator call Infosys a 'chop shop'

Criticising companies outsourcing highly-paid American jobs, a US Senator has described Indian IT major Infosys as a "chop shop", a place where stolen cars are dismantled and parts sold separately. The comments were made by Democrat Senator of New York Charles E Schumer during discussions on the Border Security Bill, a USD 600-million emergency package aimed at strengthening security along the porous Mexican border. "The emergency border funds will be paid for by assessing fees on foreign companies known as chop shops that outsource good, high-paying American technology jobs to lower wage, temporary immigrant workers from other countries. These are companies such as Infosys,"

Schumer said on the Senate floor on Thursday. The comments made during the discussion are posted on the Senate website. When contacted, an Infosys spokesperson said the company would not like to comment on the Senator's remarks. Schumer also pointed out the bill would not affect the high-tech companies such as Intel or Microsoft that play by the rules and recruit workers in America. The USD 600 million spending bill approved by the Senate would see significant hike in application fees for H-1B and L1 visas, which are most sought after by Indian IT professionals. The proposed bill would hike the visa fee to USD 2,000 per application on those entities that have less than 50 employees as US

citizens. Infosys has thousands of employees in the US. For the three months ended June 30, the company had raked in 67.3 per cent of its total revenues from North America. After the passage of the bill in the Senate, Democrat Senator of Missouri Claire McCaskill on Thursday said the proposal would increase fees for particular companies that exploit two categories of visas — H-1B and L-1. "A handful of foreign-controlled companies that operate in the United States—such as Wipro, Tata, Infosys and Satya—rely on H-1B and L visas to import foreign workers to the US. "The Senate Democrats' border security proposal would increase the visa fees paid by these companies by roughly USD 2,000 per visa application," she had said in a statement.