CONSULATE GENERAL OF INDIA
SAN FRANCISCO

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Important Commercial News – July 2016

1 U S International Trade

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced that the goods and services deficit was **$44.5 billion** in June, up $3.6 billion from $41.0 billion in May, revised. June exports were **$183.2 billion**, $0.6 billion more than May exports. June imports were **$227.7 billion**, $4.2 billion more than May imports.

The June increase in the goods and services deficit reflected an increase in the goods deficit of $3.8 billion to $66.0 billion and an increase in the services surplus of $0.3 billion to $21.5 billion.

Year-to-date, the goods and services deficit decreased $3.8 billion, or 2.3 percent, from the same period in 2015. Exports decreased $54.2 billion or 4.7 percent. Imports decreased $60.0 billion or 4.3 percent.

The June figures show surpluses, in billions of dollars, with Hong Kong ($2.6), South and Central America ($2.3), Singapore ($0.4), and Brazil ($0.4). Deficits were recorded, in billions of dollars, with China ($28.0), European Union ($12.7), Japan ($6.0), Germany ($5.6), Mexico ($4.7), South Korea ($2.5), Italy ($2.3), India ($2.0), France ($1.6), OPEC ($1.2), Taiwan ($1.1), Canada ($0.6), Saudi Arabia ($0.5), and United Kingdom ($0.2).

- The deficit with **Japan** increased $1.0 billion to $6.0 billion in June. Exports decreased $0.4 billion to $5.0 billion and imports increased $0.6 billion to $11.0 billion.

- The deficit with the **European Union** increased $0.8 billion to $12.7 billion in June. Exports increased $0.9 billion to $22.9 billion and imports increased $1.7 billion to $35.6 billion.
- The deficit with **Mexico** decreased $0.8 billion to $4.7 billion in June. Exports increased $0.3 billion to $19.0 billion and imports decreased $0.5 billion to $23.7 billion.

2 New Foreign Direct Investment in the United States, 2014 and 2015

Expenditure by foreign direct investors to acquire, establish, or expand U.S. businesses totaled $420.7 billion in 2015, an increase of 68 percent from 2014, when expenditure were $250.6 billion. In 2015, as in 2014, the majority of the expenditure were to acquire existing businesses. In 2015, expenditure for acquisitions were $408.1 billion. Expenditure to establish new U.S. businesses were $11.2 billion, and expenditure to expand existing foreign-owned businesses were $1.4 billion. Total planned expenditure, which include both actual and planned future expenditure, totaled $439.2 billion.

New investment expenditure include expenditure incurred by foreign direct investors and by existing U.S. affiliates of foreign direct investors. The portion of new investment expenditure provided by foreign direct investors is included in BEA’s statistics on foreign direct investment transactions. These expenditurs contribute to the foreign direct investment position in the United States, which represents the accumulated total value of foreign direct investment, totaling $3.1 trillion (on a historical-cost basis) at year end 2015. However, not all of the transactions that contribute to the foreign direct investment position are included in the statistics on new investment expenditure. The new investment data exclude disinvestment flows and other transactions between foreign direct investors and their U.S. affiliates that do not contribute to the acquisition, establishment, or expansion of a U.S. business.

Expenditure for new investment in manufacturing were $281.4 billion in 2015. As in 2014, manufacturing accounted for more than half of total new investment expenditures. Within manufacturing, expenditure were largest in chemicals, mostly in pharmaceuticals and medicines. There were also large expenditure in finance and insurance, in real estate and rental and leasing, and in professional, scientific, and technical services.

By country of ultimate beneficial owner (UBO), the largest source country was Ireland, at $176.5 billion. There were also substantial expenditure from Canada and Germany. Of the eight largest countries in terms of foreign direct investment position in the United States—United Kingdom, Japan, Luxembourg, Netherlands, Canada, Switzerland, Germany, and France—six are also among the top eight countries for new foreign direct investment.

By U.S. state, the largest expenditure, $119.0 billion, or 28 percent of the total, were for investments in California.

3 United States Challenges China's Export Duties on Nine Key Raw Materials

U.S. Trade Representative Michael Froman announced that the United States has launched a new trade enforcement action against the People's Republic of China at the World Trade Organization (WTO) concerning China's export duties on nine different raw materials. When China joined the WTO, China agreed to eliminate its export duties on these products, but it has failed to follow through on this commitment. Today's action is the 13th trade enforcement case the President Obama

Administration has launched against China at the WTO – more than any other WTO country over the same period. The U.S. has won every case that has been decided so far.

The export duties China imposes provide substantial competitive advantages for Chinese manufacturers by making them more expensive for U.S. manufacturers that rely on these raw materials to produce their downstream goods. These nine raw materials – antimony, cobalt, copper, graphite, lead, magnesia, talc, tantalum, and tin – are key inputs into high-value Made-in-America products in vital industrial sectors, including aerospace, automotive, electronics, and chemicals. China's export duties provide an unfair competitive advantage to China at the expense of American workers and manufacturers.

China's export duties on these raw materials, which range from 5 to 20 percent *ad valorem*, disadvantage U.S. producers by raising the prices of these raw materials for downstream manufacturers outside of China, while lowering the prices paid by China's manufacturers that use these same raw materials. These Chinese manufacturers are able to manufacture lower-priced goods using these unfairly priced raw materials, creating an uneven playing field for U.S. competitors. In this way, China's export duties create pressures on U.S. and other non-Chinese producers to shift production operations, technologies, and jobs to China.

4 1,200 Indians queue up to shell out half-a-million dollars for US green card

About 1,200 Indians have queued up to shell out half-a-million US dollars each to migrate to the US through a government sponsored 'invest in the US and get a green card scheme', according to immigration consultants. The scramble follows a US government plan to increase the investment such applicants need to make to get an EB-5 visa — from $5,00,000 to $8,00,000 from October 1.

The US Citizenship & Immigration Services (USCIS) approved 111 EB-5 visas for Indian applicants between October 1, 2014 and September 30, 2015 (FY15). The US financial year is from October 1to September 30.

The EB-5 Immigrant Investor Program is a "paid invitation" for non-Americans to invest and live the 'American dream'. While America still keeps its doors ajar for high skilled migrants (through student and job visas), Uncle Sam is now looking for well-heeled foreigners who can invest in his country.

"The EB-5 program is exploding in popularity as more countries outside of China are taking advantage of it. Last year, over 18,000 investors from all over the world invested in the EB-5 program," says Rogelio Caceres, co-founder of LCR Capital Partners, an investment cum-immigration consultant.

Applications from India, however, are insignificant compared with Chinese applicants, who managed to secure over 8,150 visa approvals in FY15. "Indians may go the China-way very soon... we're slowly becoming aware of this program. Moreover, Indians are favored over many other nationalities in the US," says Ankit Bhandari of US Freedom Capital.

The EB-5 program has two broad divisions — the direct investment route and the regional central (investment) program. The former is quite cumbersome as it involves starting a new business and creating at least 10 full-time local jobs. A person taking this route will have to invest at least $1million (about Rs 6.7 crore) in a business in that country. The US government is thinking of raising this limit to $1.2 million next fiscal.

The regional central investment program, on the other hand, is simpler and cheaper. All you have to do is invest (as a limited partner) $5,00,000 in a government-approved EB-5 project in America. The investment is re-deemable after five years. You can even pocket a 0.5-1% per annum return if you invest in a profitable venture. The investor gets a green card (for himself and his immediate family).

EB-5 visas are issued in 15-18 months after submitting applications and making the investments. If visa conditions are met, a green card is issued after five years. A green card-holder can apply for US citizenship after five years. "The US government is only concerned about employment opportunities this program generates.

They're not really worried if the venture is profitable or not," says Pankaj Joshi, managing director, NYSA, a consultancy group specializing in the EB-5 program.

"If your investment goes into a venture that fails to generate the required employment, your green card at the end of five years may get rejected," Joshi warns. The US government has identified zones for these investments.

Consultants like LCR, US Freedom and NYSA help applicants identify the right investment projects, which will generate employment and also offer some return on investment. For instance, LCR Capital Partners pools applicant funds to finance Dunkin Donuts in designated EB-5 investment zones; US Freedom Capital and NYSA specialize in healthcare real estate and real estate rentals, respectively.

At the end of five years, the applicants have the option to stay invested in the project, wherein they will start earning a higher RoI, depending on the profitability of the venture. They also have the option to redeem the investments at the end of five years, when they get the green card.

5 India leads China in pharmaceutical exports in 2015

India maintained its supremacy over China in pharmaceutical exports in 2015 with a growth of 7.55 per cent to $12.54 billion, the commerce ministry said on Tuesday.

"India's pharmaceutical exports continued its lead over China in 2015 ... India maintains its supremacy over China in pharmaceuticals," the ministry said in a statement. While India's pharma exports grew from $11.66 billion to $12.54 billion in 2015, recording a growth of 7.55 per cent, China's exports rose by 5.3 per cent to $6.94 billion, it added. "India moved ahead of China in all important markets such as the US, Africa and the European Union," it added. India's exports of pharma products to the US jumped by 23.4 per cent to $4.74 billion last year. On the other hand, China's pharma exports to the US increased by 15 per cent to $1.34 billion in the same period.

"India also maintained its lead with growth in EU and Africa recording exports of $1.5 billion and $3.04 billion respectively, while China's exports to EU and Africa showed a declining trend in both the markets," the statement said. India is hugely dependent on China for import of APIs, which are the raw materials for medicines. Industry and government have time and again raised concerns over increasing dependence on imported APIs from China. India is a global hub of generic medicines. The market size of the country's pharma industry is estimated at over $20 billion.

6 US hike in anti-dumping duty to hit Indian shrimp exports

The US government's decision to hike anti-dumping duty on shrimp imports is expected to hit exporters hard. Hike in anti-dumping duty (ADD) by USA for shrimp exports may lead to higher prices and making Indian shrimp uncompetitive. The US department of commerce (US DoC) in its 10th annual review has increased the weighted average ADD on shrimp imports from India to 4.98 per cent up from 2.96 per cent.

India has emerged as the largest exporter of shrimp to USA following the disease (Early Mortality Syndrome) hit on Thailand's shrimp production; Indian cultivation has over the past five years moved largely from low-volume high-value Penaeus monodon (black tiger) to high-volume Penaeus vannamei. Nearly 39 per cent of the value of shrimp exported from India lands in USA, making it the largest consumer of Indian shrimps, it added.

Typically, processors enjoy a superior bargaining power with the farmers considering the limited shelf life of unprocessed shrimp, the bulk sourcing by domestic processors and given that some of the large processors finance the farmer's working capital requirements, in exchange for contracted supply.

Hence, ICRA believes that the impact of any hike in duty/tax will be passed on to the farmers, and not to the end customer, given the need to maintain international competitiveness.

Farmers bear the price risk and stand to benefit when there is fall or increase in duties, taxes and global prices given the intensely competitive and highly fragmented nature of the shrimp processing industry (223 entities exporting to the USA alone). As per the report, during the period January 2013 to December 2014, when the global prices had increased steeply due to concerns of constrained global supply on isolated incidents of disease outbreak, the benefits were reaped by the farmers.

However, when processed shrimp prices started declining sharply from January 2015 due to higher stocks with wholesalers in the consuming countries, amid increase in global supply with the South East Asian countries gradually recovering from disease outbreak, farmer's profits were impacted while the processors remained insulated.

7 Trade Delegation

A trade delegation led by Mr. Nitin Gadkari, Honorable Minister for Road Transport, Highways & Shipping visited San Francisco & Los Angeles from July 14-18, 2016. The delegation held fruitful discussions with investors, members of The Indus Entrepreneurs of Silicon Valley. The delegation also did site visit of Tesla, Bloom Energy and Port of Los Angeles.

No delegation visited India from the jurisdiction of this Consulate.

8 Trade disputes

This Consulate is in receipt of a complaint from M/S Gift International of Muradabad against Essential Décor & Beyond, Inc., Vernon, California about non receipt of payments against the goods supplied. The Consulate has requested the complainant for more information before the matter is taken up with the defaulter.

9 Trade Enquires

The following individuals and organization approached this Consulate for various trade related enquiries. All of them were responded appropriately.

1	Silver Apparels	Ladies wear
2	Bala’s Enterprise	Tamarind, Jaggery & Peanut Chikki
3	Morning Star Exports	Jeans, Shirts, inner wear, spices
4	Sarvasva Industries	Pharmaceutical, Furniture,
5	T.T. Limited	Ready made garments
6	Sonata Ceramics	Ceramic wall tiles
7	Genuine Global Exports	Areca Leaf plates & cups

8	SSB Tech innovation	Coconut shell based steam activated Carbon
9	R S International	Indian snacks
10	UAV Systems International	Camera Drones
11	Sunbond Ceramics	Ceramic Tiles

10 Visas issued

During the month of July 2016 this Post issued **2366** Tourist visas and **736** Business Visas

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