

CONSULATE GENERAL OF INDIA
SAN FRANCISCO

MONTHLY COMMERCIAL REPORT NOVEMBER 2015

Important Commercial News – Nov. 2015

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 **\$43.9 billion** in October, up \$1.4 billion from \$42.5 billion in September, revised. October exports were **\$184.1 billion**, \$2.7 billion less than September exports. October imports were **\$228.0 billion**, \$1.3 billion less than September imports.

The October increase in the goods and services deficit reflected an increase in the goods deficit of \$2.1 billion to \$63.1 billion and an increase in the services surplus of \$0.6 billion to \$19.2 billion.

Year-to-date, the goods and services deficit increased \$22.2 billion, or 5.3 percent, from the same period in 2014. Exports decreased \$84.7 billion or 4.3 percent. Imports decreased \$62.5 billion or 2.6 percent.

Exports of goods decreased \$3.1 billion to \$123.8 billion in October.

Exports of goods on a Census basis decreased \$3.0 billion.

- Industrial supplies and materials decreased \$1.6 billion.
 - Fuel oil decreased \$0.4 billion.
 - Other petroleum products decreased \$0.4 billion.
- Capital goods decreased \$0.9 billion.
 - Industrial engines decreased \$0.5 billion.

Exports of services increased \$0.4 billion to \$60.3 billion in October.

- Transport, which includes freight and port services and passenger fares, increased \$0.2 billion.
- Financial services increased \$0.2 billion.

Imports of goods decreased \$1.0 billion to \$186.8 billion in October.

Imports of goods on a Census basis decreased \$1.2 billion.

- Industrial supplies and materials decreased \$2.0 billion.
 - Crude oil decreased \$1.1 billion.
 - Other petroleum products decreased \$0.4 billion.
- Foods, feeds, and beverages decreased \$0.4 billion.
 - Meat products decreased \$0.1 billion.

Imports of services decreased \$0.2 billion to \$41.1 billion in October.

- Travel (for all purposes including education) decreased \$0.2 billion.
- Transport decreased \$0.1 billion.

The October figures show surpluses, in billions of dollars, with South and Central America (\$2.8), United Kingdom (\$0.6), and OPEC (\$0.4). Deficits were recorded, in billions of dollars, with China (\$30.2), European Union (\$13.3), Mexico (\$6.3), Germany (\$6.2), Japan (\$5.3), Italy (\$2.3), South Korea (\$2.3), India (\$2.0), France (\$1.7), Canada (\$0.2), Brazil (\$0.2), and Saudi Arabia (less than \$0.1).

2 US FDA warns Dr Reddy's of import ban

The United States Food and Drug Administration (USFDA) has warned homegrown pharma major Dr Reddy's Laboratories (DRL) that if the company fails to take corrective actions at three of its manufacturing facilities-Srikakulam, Miryalaguda and Duvvada-it may lead to imposition of an import ban on these units. The details of the letter dated November 5, 2015 were made available on the USFDA website.

"Until you complete all corrections and FDA confirms your compliance with Current Good Manufacturing Practices (CGMP), FDA may withhold approval of any new applications or supplements listing your firm as a drug product or API manufacturer. If you fail to correct these violations...FDA may also refuse admission of articles into the United States manufactured at Srikakulam, Miryalguda and Duvvada," USFDA warned in its letter.

The US drug regulator had issued a warning letter after DRL was not able to convince it about the corrective measures it planned to take at its three units. tnnDRL had in fact responded to USFDA's concerns nine times between December 15, 2014 and September 14, 2015. In a statement, DRL said, "We are in the process of providing our responses to the USFDA and are unable to comment on the specifics of these until we have done so."

Citing detailed lapses at the said DRL units, USFDA pointed out that it had discovered "an uncontrolled custom QC laboratory (CQC)" at its Srikakulam unit. "The existence of this laboratory was previously unknown to FDA. Your QC Associate Director acknowledged that the CQC laboratory was involved in CGMP analysis of APIs intended for export to the United States through 2012," USFDA said in its letter.

USFDA pointed out that there was uncontrolled access to electronic systems used to generate data in its Product Development Laboratory (PD Lab). "Your HPLC systems are configured so that no passwords are required to log in. Credentials are unverified. Anyone who accesses the system can use software administrator privileges, which means that there is no electronic or procedural control to prevent manipulation of data," it said.

It further added: "One of your analysts stated that another unknown individual had logged into the system using the analyst's credentials. This unknown individual performed injections and deletions without the analyst's knowledge."

"Several violations are recurrent or represent long-standing failures to adequately resolve significant manufacturing quality problems. It is apparent that you have not implemented a robust quality system at your sites," it added.

Earlier, on November 6, when DRL had informed the bourses about the USFDA's warning letter, the company had said it will respond with a comprehensive plan to address these observations within the stipulated timeframe of 15 days. However, the company did not confirm if it has already responded to the USFDA's letter yet.

In fact, the company has initiated the process of de-risking supplies by transferring select products to its alternate sites, DRL chief executive officer G V Prasad had said earlier this month.

3 New US bill with H1B visa curbs to hurt IT firms

The US is set to pass a bill on immigration with major implications for the \$146-billion Indian IT sector and its employees. The bill seeks to prohibit companies from hiring H-1B employees if they employ more than 50 people in the US and more than 50% of those employees are H-1B and L-1 visa holders.

The bill, if passed, will place severe restrictions on Indian IT companies that are the largest users of H-1B visas. Though companies do not disclose the data, it is believed that the large Indian IT companies have more than 50% of their employees on H-1Bs and L-1s.

Last week, Senators Chuck Grassley and Dick Durbin introduced a bipartisan legislation that would reform the H-1B visa programme, consistent with the US Congress's intent to ensure that qualified American workers are given the first opportunity at high-skilled job opportunities. The duo has argued that the H-1B visa was meant to fill gaps in specialized areas that cannot be filled by Americans.

"There's a sense of urgency here for Americans who are losing their jobs to lesser skilled workers who are coming in at lower wages on a visa programme that has gotten away from its original intent. Reform of the H-1B visa programme must be a priority," Grassley said in a press statement recently.

The two have argued that outsourcing companies import large numbers of H-1B and L-1 workers for short training periods and then send these workers back to their home country to do the work of Americans. Indian IT companies have been the largest recipients of H-1B visas and have come under intense scrutiny by lawmakers. "Undoubtedly, this is a major set-back for Indian IT companies. The Bill, if it goes on to become a law, would be a speed breaker for the thriving IT business. Even though the Bill purportedly targets saving 'qualified American jobs', this development should also be seen in the background of the forthcoming US Presidential elections scheduled in 2016. Senators will take up people centric issues," said Rakesh Prabhu, partner-immigration practice in Bengaluru-based ALMT Legal.

4 US presidential candidate Ted Cruz calls for suspending H-1B visas for 6 months

leading Republican presidential candidate has called for suspending the issuance of H-1B visa for six months to investigate abuses against the most sought work visa by Indian IT professionals.

"In order to strengthen our immigration system, protect national security and better serve American workers, we must suspend the issuance of all H-1B visas for 180 days to complete a comprehensive investigation and audit of pervasive allegations of abuse of the programme," said Republican presidential candidate Ted Cruz as he rolled out his immigration reform plan.

"New allegations detail appalling abuses of the H-1B visa program -- a programme meant to create American jobs and spur economic growth. I will

suspend the programme for 180 days to investigate abuses," said Cruz whose popularity ratings in the last few weeks have increased nationwide. Interestingly, as a senator from Texas, Cruz had backed quintupling the number of H-1B visas. Cruz also called for halting increases in legal immigration so long as American unemployment remains unacceptably high.

"The purpose of legal immigration should be to grow the economy, not to displace American workers. Under no circumstances should legal immigration levels be adjusted upwards so long as workforce participation rates remain below historical averages," he said.

Cruz sought to end birthright citizenship. "Birthright citizenship was not intended to legalize the children of people who are breaking the law by entering and staying in the country illegally. I will take steps to pass legislation or a constitutional amendment to end it," Cruz said.

In his speech in Orlando, Florida Cruz said if elected as the president he will suspend the H-1B programme for 180 days to investigate abuses and enact fundamental reforms of this program to ensure that it protects American workers. Observing that the recent lack of federal oversight of the H-1B visa programme has fueled a cottage industry of diploma mills, he said, foreign academic institutions must meet minimum accreditation standards at least as stringent as those imposed on American universities in order to qualify for the advanced-degree requirement.

Under his plan, Cruz said companies will provide sworn statements and documentation that detail their efforts to hire Americans before requesting foreign workers through the H-1B visa programme. Individuals who make false statements in these affidavits will be subject to perjury charges, he said.

5 Coca-Cola plans to test market Sprite Zero now

Buoyed by the success of its sugar-free fizzy drink Coke Zero, US beverage maker Coca-Cola is planning to test market Sprite Zero here, the zero-calorie

option of one of the world's largest selling lemon-lime drink. Sprite is India's biggest soft drink brand by volume sales -a position it occupied last year by overtaking Thums Up, which is also a Coca-Cola brand.

On the impending launch of Sprite Zero in India, a CocaCola spokesperson said: "We keep evaluating various beverage options that best meet consumer needs. However, at this point, we are not in a position to comment on a specific beverage or our plans around it."

The diet soft-drinks market in India has remained a niche category. It is estimated to be around Rs 300 crore (having tripled from its size of around Rs 120 crore in 2010) compared to the Rs 14,000-crore domestic soft-drinks market. However, Coke Zero's launch last year seems to have boosted the category, which has grown by around 39% since then, compared to a CAGR of 12-13% between 2010 and 2014, according to industry experts, who quoted data from research firm Nielsen. "Coke Zero has become a Rs 40-crore brand within around 10 months of its launch," said an industry expert. Debabrata Mukherjee, VP , marketing & commercial, Coca-Cola India and South West Asia said: "We have been surprised by the strong consumer traction and high rates of conversion, from trials to repurchase of CocaCola Zero. What is important is that it is perhaps showing the way for a lot of consumer brands in the diet and light foods category -a category that has not met with a lot of success in the Indian market."

The diet category in India has proven to be tricky for most companies to crack. For instance, Coca-Cola's rival PepsiCo launched its baked snack brand Aliva with much fanfare in 2012 only to pull it off the shelves due to lack of consumer interest. "The diet category still has a long way to go in India. While snacking, Indians still prefer to indulge," said Arvind Singhal, retail expert and founder of Technopak.

Sprite Zero has the same sweeteners as in Coca-Cola Zero -Aspartame and Acesulfame - and was originally known as Sugar Free Sprite when it was first

created in 1974. At present, Coca-Cola sells two diet beverages in India, Diet Coke and Coke Zero. In the test-marketing phase, Sprite Zero is expected to be sold only in 300 ml cans, which is a preferred pack for the company for its diet products. The company is likely to test market it in South Indian cities, where Hindustan Coca-Cola, its bottling arm, has a robust distribution network.

6 Trade delegations

The following commerce and trade related delegations visited the jurisdiction of this Consulate during the month:

Mrs. Nirmala Sitharaman, MoS for Commerce and Industry visited San Francisco from Nov. 02-4, 2015 to attend Fortune Global Forum. During the visit fruitful discussions were held with the Executives of Loch Heed Martin, Twitter, Mibifusion Inc. Besides this Honorable Minister addressed the Plenary session on “Emerging Markets” and “Maximizing the Indian Opportunities”.

Eleven member Karnataka delegation headed by Mr. R.V. Deshpande, Minister for Large and Medium Industry and Tourism visited San Francisco from Nov. 29 to Dec. 01, 2015. They held meetings with Bay Area Council, Mayor of San Francisco, Public Utility Commission, TiE, Cisco, AirBnB, LinedIn, and San Disk.

7 Trade Enquiries

The following individuals and the organizations approached this Consulate for various trade related queries, all of them were suitably responded.

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| a | R K International, Madurai | Appalam |
| b | Mr. John Samtoy, CA | PAN number |
| c | Finomax Ceramic, India | Ceramic Tiles |
| d | Mr. Bhavin, India | Electrical Conduit fitting Items |
| e | Namasvi International, Ahmedabad | Cereal, Fruits, Vegetables |
| f | J Traders, India | Coconut products |

g	Shridarshini Exports, TN	Gloriosa Superba seeds
h	J R Exports, Chennai	Spices, Organic Fruits, Organic Sugar
l	Gusto International, India	Spices, Fruits, Vegetables
j	Ashwani Thapar, CA	Doing business in India
k	Total Export Solutions, India	Household Furniture, hospital furniture, garden furniture, carpets, coir & jute mattress, blinds
l	Dr, Bharat Patel, CA	Customs related
m	Grand Global Exports, TN	Cardamom

8 Trade disputes

This Consulate was approached by H.R. International Ltd. regarding a trade dispute with Colorado Tire Corporation for non supply of goods against the advance submitted. The Consulate has taken up the issue with the supplier and is awaiting the reply.

9 Visas

During the month of November 2015 this Consulate issued **6295** Tourists and **906** Business visas.

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