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Important Commercial News – January 2013

Indo-US Trade in Merchandise Goods Crosses \$62 Bn In 2012

According to the recent statistics the total Indo-US Trade in Merchandise goods for the Calendar year 2012 (January-December) is \$ 62.85 billion with balance of trade surplus of \$ 18.18 billion in favor of India. This is an increase of 9.66 percent over the same period in previous year. U.S. Exports to India have gone up by 3.88 percent from \$ 21.5 billion to \$ 22.34 billion and U.S. Imports from India have gone up by 13 percent from \$ 36.15 billion to \$ 40.85 billion during the year 2012.

Major items of exports from India to USA include textiles & woven apparel, precious stones and metals (diamond); pharmaceutical products; mineral fuel (oil); lac, gums and resins; Organic chemicals; agricultural products (tree nuts, spices, essential oils, rice and vegetable oils); electrical and other machinery.

During the year 2012, India imported the following major items from U.S.A.: raw precious stones and metals; machinery; mineral fuel and oil; optical instruments and equipment's; electrical machinery; aircraft parts; organic chemicals; agricultural products (fresh fruit, cotton and pulses) and plastic products.

The recent opening up of the Indian economy and policy reforms in multi-brand retail, civil aviation and banking amendments will further boost bilateral trade and investments between the two countries said Mr. R.K. Chopra, Secretary General of the Indo-American Chamber of Commerce.

The Indo-American Chamber of Commerce (IACC), since it's established in 1968, has been committed to promoting trade and commerce between India and the United States and is now the leading bilateral Chamber at the forefront of facilitating stronger business ties between two of the world's largest economies.

India's cotton exports to dip 60 per cent this year

India's cotton exports are likely to tumble by 60 per cent to 5.7 million bales in the marketing year ending July compared to last year level, a USDA report said.

India, the world's second-largest exporter, is estimated to have shipped a record 14.7 million bales in the last marketing year, it said. One bale has 170 kg of cotton.

"The 2012-13 export estimate is unchanged at 5.7 million bales (of 170 kg)," the US Department of Agriculture (USDA) said in the report.

China, the world's biggest cotton consumer, continues to be the major export market for Indian cotton. Indian cotton prices are trading slightly lower to world prices. Exports have also been aided by a weak rupee, it added.

The USDA did not give any specific reasons for a decline in cotton exports. The domestic traders and experts said shipments could slow down due to lower Chinese purchases in the wake of huge inventories.

According to the USDA report, cotton exports in the country have reached an estimated 2 million bales during August-December period of the ongoing marketing year.

"Preliminary data suggest that exports surged during November and December at nearly 1.65 million bales. Cotton exports during December were an estimated 950,000 bales, the highest monthly level since April," the report said.

Other major markets for Indian cotton exports include Bangladesh, Vietnam and Pakistan.

The USDA maintained its estimate on cotton production at 32.5 million bales and domestic consumption at 26.4 million bales for the current year.

At present, harvesting is underway and the pace of cotton arrival continues to lag from over last year period.

Weak domestic prices have prompted the Cotton Corporation of India to begin procurement under minimum support price (MSP) operations, mainly in Andhra Pradesh where the crop was affected by a cyclone a few weeks ago, the report said.

The government has fixed the MSP at Rs 3,850 per quintal for the long staple shankar 6 variety.

Industry jittery over US duty on seafood exports

The United States' move for imposing a countervailing duty on Indian seafood exports has come as a double whammy for the industry as it is struggling to cope with the increase in shipping freight rates for reefer cargo.

The [Indian seafood industry](#) was optimistic about shipments to the US at a time when the economic recovery in Europe is still uncertain and the issues of anti-oxidant ethoxyquin with Japan yet to be sorted out.

Marine products exports have recorded a fall in quantity and value in dollars for the six months ended September 2012. In terms of rupee, the shipments showed a marginal increase.

The [Coalition of Gulf Shrimp Industries](#) has filed a petition with the [International Trade Administration](#) of [US Department of Commerce](#) and International Trade Commission demanding the enforcement of countervailing duties on frozen warm water shrimps from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. The move will be detrimental to the Indian industry as the duties can go up to 21%.

"We plan to fight it in the court by engaging the best lawyers," said DB Ravi Reddy, president of the [Seafood Exporters Association of India](#). The US already has 2.52% antidumping duty on Indian shrimps.

Despite that, the US is the largest buyer of Indian marine products with a share of 24.28% for the six months ended September 2012. Indian seafood exports touched 3,49,009 tonne, valued at Rs 7,980 crore, for the first six months of FY13. This showed a decline of almost 7% in quantity and 17% in dollar terms. There was a nominal growth of 0.47% in [rupee](#) terms.

The drop has been attributed to a recession in the global markets, weaker rupee, slow exports to Japan due to the detection of higher level of anti-oxidant ethoxyquin and implementation of new regulation on exports and certification by China.

On top of it, the consignments will be costlier by Rs 6-7 per kg due to an increase in shipping freight. Last year, when seafood exports reached \$3.5 billion, [Southeast Asia](#) was the largest buyer fuelled by a shortage in domestic supplies. Thailand and [Vietnam](#) imported seafood from India for re-exports.

US trade mission under cloud for breaching WTO norms

An American trade mission due to commence on Monday in India, for exploring business opportunities in the infrastructure sector, has come under a cloud.

This follows a communication from the Indian commerce ministry to its counterpart in the U.S. that the mission fell foul of the WTO framework under which architects could be provided market access in each other's country only after a bilateral agreement relating to them had been signed.

The absence of such a bilateral agreement could have been similarly held against other infrastructure-related professionals such as civil engineers, town planners and builders, who are all included in the trade mission. If the government still expressed concern only about architects, it was because, among the various professionals associated with the infrastructure sector, they alone have a statutory regulator in India.

It was at the instance of the regulator, Council of Architecture (CoA), that the commerce ministry issued an office memorandum on January 24, affirming that the presence of architects in the impending trade mission was impermissible as India and U.S. were yet to arrive at a "reciprocal arrangement". Recalling that another delegation had already visited India in October, the memorandum said that the matter be taken up with the U.S. administration so that any "further violation of the existing regulatory framework does not take place by the forthcoming visit of the U.S. trade mission to solicit architectural business in India".

But the U.S. embassy, when contacted, denied that the trade missions violated any norms. Its spokesperson Meghan E McGill said: "Trade missions include briefings and meetings to ensure that the U.S. participants understand the business and regulatory environment, including the relevant laws and regulations governing their business sector, such as the Architects Act, 1972, in the case of this mission. The participants are expected to comply with all applicable laws and regulations, whether of the United States or the foreign market".

The bilateral agreement, which is required to be signed in terms of the 1995 General Agreement on Trade in Services (GATS), will specify the mode of delivery of each of the professional services and the number of "natural persons" who can be exchanged. The Times of India

FACTS & FIGURES

In April 2012, India took the United States to the World Trade Organization (WTO) over duties on Indian steel products. The move by the Indian government came after Washington imposed duties of nearly 300% on Indian steel pipe imports, complaining they were unfairly subsidized. Livemint.com

In August 2012, China said that six renewable-energy projects in the United States were illegally subsidized and violated WTO rules. Platt.com

In September 2012, China filed a WTO case challenging U.S. anti-dumping measures on billions of dollars of kitchen appliances, paper and other goods, adding to worsening trade strains as global demand weakens. Beijing's move came after American officials said the Obama administration plans to file its own WTO case this week accusing China of improperly subsidizing exports of automobiles and auto parts. USA Today

U.S. Tech Groups: India's Outreach 'Absent'

U.S. trade groups questioned India's "lack of transparency" in developing rules to restrict imports of high-tech products, saying outreach to international stakeholders has been "conspicuously absent" during the process.

In comments sent Jan. 24 to three Indian officials involved in technology policy-making, three U.S. trade groups – the Information Technology Industry Council, Telecommunications Industry Association and U.S.-India Business Council – raised concerns about the draft import restrictions and India's lack of engagement with foreign investors on the matter.

The Wall Street Journal [recently wrote](#) about the draft rules, which would require that a substantial percentage of technology hardware purchased by government agencies and some Indian companies—ranging from Wi-Fi devices to network routers and switches—come from India-based manufacturers. Foreign players would have to set up local factories to market their products here.

U.S. and Western tech companies fear this “Buy Indian” mandate would seriously undermine their business plans, forcing them to try to build world-class factories in a country that doesn’t have the power, road and water infrastructure to support them in many regions.

The comments, which were addressed to Electronics and Information Technology Secretary J. Satyanarayana, Telecommunications Secretary R. Chandrashekar and Commerce Secretary S. R. Rao, said India didn’t consult trade associations representing big foreign companies as it drafted the rules. “This is worrisome, considering the fact that we represent most of the (information and communication technology) global companies that are major investors in India.”

Mamta Verma, a spokeswoman for the Indian Ministry of Communications and Information Technology, declined to immediately comment on the complaint by U.S. firms.

The comments said U.S. companies support India’s desire to build a robust technology manufacturing sector but believe providing investment incentives is a better route than import curbs: “We stand with you in wishing to offer constructive, alternative market-based approaches intended to promote investment in domestic manufacturing.”

The trade groups said U.S. companies are willing to pump in cash when the investment environment is hospitable. In 2011, U.S. firms’ foreign direct investment in information and communications globally totaled \$20.9 billion. “Our

companies are well-positioned to share their collective expertise in how they make these investment choices” the comments said.

The U.S. groups said India’s proposal to restrict technology imports by private Indian companies raises “significant questions” about the nation’s commitment to World Trade Organization rules. India has said it has the right to curtail imports of some goods for national security reasons and [has said](#) the policy will only apply to products with genuine security implications

“Invocation of national security as grounds for interference in private sector procurement” would create “a dangerous precedent for other countries to follow,” the U.S.groups’ comments said.

Indian government officials have also said they are wary of rising electronics imports, which could reach \$300 billion by 2020, far surpassing oil imports as the largest contributor to the nation’s trade deficit.

The draft rules, which are dated Oct. 30 and were circulated to some stakeholders but not released to the public, covered 24 categories of technology products, mostly the hardware and software that run corporate and wireless networks.

According to the comments the U.S. groups submitted,India has revised that initial list and has omitted as many as 10 products. (The U.S.trade groups say they were notified about that change through the Indian Embassy on Jan. 17.) It isn’t clear from the comments which products India has omitted from the list.

The Indian telecom department [circulated a draft list](#) of covered high-tech products on Jan. 17, calling for comment by Jan. 24.

The U.S. groups recommended that India suspend implementation of rules that would affect technology purchases by private companies. And they called for a

dialogue “on ways to encourage an ecosystem that promotes investment, manufacturing, and innovation, while not distorting the market or trade.”

Trade Delegations

Top U.S. Official Visiting India to Boost Economic Cooperation

In an effort to enhance Indo-U.S. economic relationship, a top American official is set to pay a six-day visit to India to highlight his country's support for broader regional economic cooperation and also to discuss environmental and conservation issues.

Under Secretary of State for Economic Growth, Energy and the Environment Robert Hormats will travel to India from January 26 to 31, an official announcement said on January 24.

He will officially kick off his visit from Agra on January 28 by delivering remarks on "The New Emerging Global Economic Order: Role of Developed Nations" at the Confederation of Indian Industry's (CII) Partnership Summit 2013.

Hormats' visit to India will highlight U.S. efforts to expand and enhance the U.S. India economic relationship, U.S. support for broader regional economic cooperation, and the American engagement with India on environmental and conservation issues, the State Department said in a statement.

In New Delhi, Hormats will meet Foreign Secretary Ranjan Mathai and other senior Indian officials.

He is also scheduled to take part in a round-table discussion with Indian and

international environmental NGOs and non-profit groups on wildlife trafficking issues on January 29.

Hormats will also deliver remarks in support of India's efforts to expand economic ties with South and Southeast Asia at an event at the Federation of Indian Chambers of Commerce and Industry (FICCI) and co-hosted by the U.S.-India Business Council on January 30.

On January 31, Hormats will deliver a speech on sustainable water, energy and food security policy at the Delhi Sustainable Development Summit.

2 A Trade delegation from the Ministry of Communication and Information Technology led by Mr. Kapil Sibal , Minister, visited San Jose and Los Angeles and had very successful meetings with the officials of Apple, Cisco, Adobe, Applied materials, SanDisk, Candence, Jabil, Sifty Technology, Broadcom, Sanmina Corporation, Symantec, Intel, AMD and members of USIBC and TiE.

Trade Shows

Winter Fancy Food Show San Francisco: January 20 - 23, 2013

The 38th Winter Fancy Food Show is the largest marketplace devoted exclusively to specialty foods and beverages on the West Coast. It is owned and operated by the National Association for the Specialty Food Trade, Inc. (NASFT), a not-for-profit trade association for food artisans, importers and entrepreneurs established in 1952 in New York City to foster trade, commerce and interest in the specialty food industry. Today, the NASFT has 3,075 members worldwide that produce, manufacture, import, distribute and sell more than 180,000 specialty foods and beverages across the U.S. and around the world. The shows have helped launch such brands as Terra Chips, Perrier, Ben & Jerry's and Walker's Shortbread. The event was not represented by any Indian trader. Tea

India and few other Indian companies used to participate in this event but no one showed up this year.

Trade Enquiries

The following companies approached us for various queries during the month:

- 1 Agarwal Handicraft, Jaipur, India
- 2 Baby Elephant, Tripur, India
- 3 Hamdard Laboratories, New Delhi, India
- 4 Govindam Textiles, Jaipur, India
- 5 BRK Minerals, Kishangarh, India
- 6 Sri Saravana Exports, Chennai, India
- 7 Sona Cotsyn (P) Ltd., Bhilwara, India
- 8 Ketshav Enterprises, Chennai, India

Appropriate replies were sent to all the above.

