

CONSULATE GENERAL OF INDIA
SAN FRANCISCO

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Important Commercial News – April 2015

1 U.S. International Trade in Goods and Services

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, that the goods and services deficit was **\$51.4 billion** in March, up \$15.5 billion from \$35.9 billion in February, revised. March exports were **\$187.8 billion**, \$1.6 billion more than February exports. March imports were **\$239.2 billion**, \$17.1 billion more than February imports.

The March increase in the goods and services deficit reflected an increase in the goods deficit of \$14.9 billion to \$70.6 billion and a decrease in the services surplus of \$0.6 billion to \$19.2 billion.

Year-to-date, the goods and services deficit increased \$6.4 billion, or 5.2 percent, from the same period in 2014. Exports decreased \$11.7 billion or 2.0 percent. Imports decreased \$5.3 billion or 0.8 percent.

Exports

Exports of goods increased \$1.5 billion to \$127.1 billion in March.

Exports of goods on a Census basis increased \$1.3 billion. Capital goods increased \$1.5 billion (*Civilian aircraft* increased \$0.5 billion, *Civilian aircraft engines* increased \$0.2 billion, and *Electric apparatus* increased \$0.2 billion). ***Net balance of payments adjustments*** increased \$0.2 billion.

Exports of services increased \$0.2 billion to \$60.8 billion in March.

Imports

Imports of goods increased \$16.4 billion to \$197.6 billion in March.

Imports of goods on a Census basis increased \$16.4 billion. Consumer goods increased \$9.0 billion (*Cell phones and other household goods* increased \$1.7 billion, *Other textile apparel and household goods* increased \$1.3 billion, and *Furniture, household goods, etc.* increased \$1.0 billion). Capital goods increased \$4.0 billion. Automotive vehicles, parts, and engines increased \$2.7 billion. **Net balance of payments adjustments** decreased \$0.1 billion.

Imports of services increased \$0.8 billion to \$41.6 billion in March.

2 U.S. factory activity growth slows in April: Markit

Growth in the U.S. manufacturing sector dipped more than expected in April, with factory activity showing the slowest momentum since January, according to an industry report released Thursday.

Financial data firm Markit said its preliminary U.S. Manufacturing Purchasing Managers' Index fell to 54.2 in April from the final March read of 55.7. Economists polled by Reuters had forecast the April figure would come in at 55.5. A reading above 50 indicates growth in the sector.

"While growth has clearly slowed in 2015 compared to the impressive rate seen throughout much of last year, the goods-producing sector is by no means collapsing under the weight of the strong dollar, and fears of a sharp slowdown consequently look overplayed," said Chris Williamson, Markit's chief economist.

The index's flash output component fell from the final March read of 58.8 to 55.4, which was also the weakest since January. The flash reading of the index measuring new orders also weakened in April, coming in at 55.4, compared with March's reading of 57.2. Employment growth also weakened in April from March, Markit said, though the drop was more modest.

3 China's March exports shrink 15% y/y in shock fall

China's export sales contracted 15% in March while import shipments fell at their sharpest rate since the 2009 global financial crisis, a shock outcome that deepens concern about sputtering Chinese economic growth.

The tumble in exports - the worst in about a year - compared with expectations for a 12% rise and could heighten worries about how a rising yuan has hurt demand for Chinese goods and services abroad, analysts said. In a sign that domestic demand was also tepid, imports into the world's second-biggest economy shrunk 12.7% last month from a year ago, the General Administration of Customs said on Monday.

That was the biggest slump in imports since May 2009, and compared with a Reuters poll forecast for a 11.7% drop. "It's a very bad number that was much worse than expectations," Louis Kuijs, an economist at RBS in Hong Kong, said in reference to the export data. "It leads to warning flags both on global demand and China's competitiveness."

Buffeted by lukewarm foreign and domestic demand, China's trade sector has wobbled in the past year on the back of the country's cooling economy, unsettling policymakers.

Chinese Vice Premier Wang Yang was quoted by Xinhua state news agency as saying earlier this month that authorities must act to arrest China's export slowdown lest it further dampens economic growth.

Wang was quoted as saying that local governments should offer "preferential policy support" and encourage more private investment in exports. Anaemic growth in the trade sector could hurt jobs, which the government wants to protect for fear that widespread unemployment could fuel social discontent and trigger unrest.

So far, China's labour market appears to be holding up well, despite signs that economic growth is steadily grinding to its lowest in a quarter of a century of around 7%.

Last month's trade performance left China with a surplus of \$3.1 billion, much smaller than the poll forecast for a \$45.4 billion trade gap. A breakdown of exports and imports by major markets was not yet available on Monday, though many economists said there were few doubts that a stronger yuan - which is pegged to a rising dollar - had crimped export sales. Indeed, Huang Songping, a spokesman at China's customs office, acknowledged the difficulties that exporters faced from a firmer yuan.

Costs stemming from labor, financing and the exchange rate "remain stubbornly high and the competitive advantage of the traditional foreign trade has been weakened," Huang said. He added that 56.2% of exporters surveyed by the government said their costs had risen in March. Against the euro, for instance, the yuan hit a record high of 0.15274 euros on March 16, up a steep 14% against the common currency this year.

"The really weak trade surplus has implications for the weakness in the renminbi," said Andrew Polk, an economist at the Conference Board in Beijing. "So we might see more weakness going forward."

China expanded its trade sector by 3.4% in 2014, according to government data, missing the government's growth target of 7.5% by more than half. Taking that disappointing outcome into account, the government has lowered its growth target for 2015 combined imports and exports to around 6%.

4 Uber launches auto-rickshaw service in Indian capital

Online cab-hailing company Uber will allow passengers in the Indian capital to book auto-rickshaws, the cheaper three-wheeled taxis, as part of a drive to boost its presence and compete with a local rival in one of its key markets.

Under the uberAUTO service, the company will not charge a fee for booking auto-rickshaws, users will be allowed to pay for the journey in cash, and the pricing will follow government fare rules, Uber said in a statement on Thursday.

The launch of the service in New Delhi marks a shift from the company's global business model. So far, Uber's mobile application that connects riders with taxis in cities around the world has charged customers through credit cards or other electronic payment means, but not in cash.

The launch in Uber's largest market outside the United States comes against the backdrop of stiff competition with India's biggest online cab-hailing company Ola, which already lets customers hail auto-rickshaws.

"There were a lot of people who were not able to use an Uber because cash payment was not allowed," Gagan Bhatia, general manager for Uber in New Delhi, told Reuters. "There is huge potential in this segment."

The launch comes at a time when Uber is battling regulatory uncertainty over how it will continue to operate in New Delhi.

Uber was banned in the city following allegations of rape against one of its drivers in December, but has found support from India's transport ministry.

5 Key U.S. allies join China-led Asia infrastructure bank

As economic leaders gather here this week for meetings of the International Monetary Fund and the World Bank, China is set to kick off a rival infrastructure development lender that promises to shake up the traditional American-led global financial order.

Beijing is officially announcing the founding members of its Asia Infrastructure Investment Bank, which will use initial capital of \$50 billion — and eventually \$100 billion — to invest in roads, cell phone towers, railways, airports and other infrastructure projects across Asia. Experts said the new China-led bank could

offer much-needed relief to a region that will need an estimated \$8 trillion in infrastructure investment by 2020, far more than the World Bank or the Japan-led Asian Development Bank can provide.

But the U.S. has lobbied against the new institution, and to the surprise and embarrassment of the Obama administration, the list of participating nations includes nearly every major economy, except for the U.S. and Japan. In a geopolitical coup for China, even stalwart American allies such as Britain, Australia and South Korea are lining up to join the new institution, first proposed by Chinese President Xi Jinping in October 2013.

"This has been a diplomatic success for China, not for the U.S.," said Domenico Lombardi, director of the Global Economy program at the Centre for International Governance Innovation in Ontario, Canada. U.S. officials have voiced concerns about whether the new institution will abide by rigorous international standards on banking, labor and the environment. But Washington also fears that Beijing will use the bank to assert itself as a global player and diminish U.S. influence in Asia and elsewhere.

"The question from the beginning is: Will this bank be an arm of China's foreign policy and strategy, or will this be an international bank? This remains to be seen," said Bonnie Glaser, a senior advisor for Asia at the Center for Strategic and International Studies and a consultant on China for the U.S. government.

"This is certainly a piece of evidence that the U.S. imprimatur is not necessary for other countries to become involved in projects that are being initiated by China," she said. To a large degree, Washington has only itself to blame for the rise of the bank. China, Brazil, Russia, India and other rising economic powers had long sought a bigger voice in international organizations such as the IMF and the World Bank.

More than four years ago, President Obama pledged to world leaders gathered in Seoul that the U.S. would overhaul the IMF's governance to give more voting

power to China and other rising nations. The change would have reduced U.S. voting power by lowering its so-called quota shares to 17.4% from 17.7%. China's would rise to 6.4% from 4%, and for all developing countries, quotas would increase to 42.4% from 39.5%.

But congressional Republicans refused to ratify the proposal, prompting searing criticisms from other countries about America's dysfunctional political system and refusal to recognize the shifting balance of influence in the world. The Obama administration is working in the coming months to complete a long-delayed Trans-Pacific Partnership agreement, which would promote trade among 12 Asia-Pacific nations — including the U.S. and Japan, but not China. Beijing is proposing a rival regional trade pact.

The delay in reforming IMF governance was all the more galling to countries such as China because the proposal would not be costly to the U.S. or remove Washington's long-held exclusive veto power.

More than 45 nations and territories reportedly applied to become founding members of the China-led bank, with Britain, Australia, France, Norway, Portugal, Iceland and Hong Kong all signing up last month. On Tuesday, Reuters reported that Canada, another holdout among major U.S. allies, was "actively considering" joining the bank.

"This is a real warning shot to the U.S., especially to the U.S. Congress," said Peter Petri, a professor of international finance at Brandeis University, referring to the broad support given to the Chinese-led institution. Clyde Prestowitz, a Washington consultant and former trade negotiator in the Reagan administration, said many countries had reasons for "jumping ship." It's well known that the British, for example, want to be the center of yuan trading as China's currency gains international clout.

Australia, meanwhile, wants to keep selling its iron and coal to China — and infrastructure spending means more demand for steel and other commodities. Experts said it may be in the U.S. interest to embrace the institution too.

Though China's state-run news agency has crowed about the global support for the bank, Nicholas Lardy, a China economics scholar at the Peterson Institute, said that's not what he heard when he spoke with officials affiliated with the new institution at a high-level meeting in Beijing last month.

"They weren't triumphalist at all," Lardy said. "They didn't say anything anti-U.S. They didn't make a big thing about how the U.S. had failed to persuade its closest allies not to participate. Some of the facts just spoke for themselves."

6 US regulator upgrades India's aviation safety rating

US authorities have upgraded India's aviation safety rating, in a boost for Indian airlines which can now increase the number of flights they operate to the United States.

US transportation secretary Anthony Foxx said that India had taken corrective action to address the Federal Aviation Administration's (FAA) concerns, after the regulator downgraded India's rating to category 2 from category 1 in January last year, citing a lack of safety oversight.

The decision, which takes the rating back to category 1, was expected as Indian aviation authorities had said they were working hard to win back the higher rating.

Foxx did not specify the action India had taken but a person with knowledge of the decision said authorities had recruited more flight operations inspectors and streamlined certain procedures to improve safety.

The upgraded rating is expected to help Jet Airways and state-owned Air India, the two Indian airlines which currently fly to the United States. The downgrade had meant both carriers could not increase flights to the country and faced extra checks for existing ones.

"The United States Government commends the Government of India for taking corrective action to address the safety oversight issues identified during the IASA

(International Aviation Safety Assessment) process," Foxx said in a statement after meeting with India's civil aviation minister in Delhi.

"The US is a very important destination for Indian travelers. It will have a positive impact not just on our airlines but on the Indian aviation sector in general," said Dhiraj Mathur, who leads PwC's aerospace practice in India. Air travel in India is growing rapidly as more people fly abroad for the first time, although not as fast as the domestic market where low-cost carriers including IndiGo and SpiceJet dominate.

International passenger numbers to and from India grew 6.9% in 2013-14 to 43 million, official data shows, down from the double-digit growth in traffic seen before 2012. Vistara, India's newest airline, said last week it plans to start flying overseas ahead of an expected change in rules that would allow new carriers to operate abroad.

7 Trade Delegations

Neither any Trade delegation from India visited the jurisdiction of this Consulate during the month nor any trade related delegation visited India from the West Coast.

8 Trade enquiries

The following organization / individuals approach this Post for various trade related queries and all of them were suitably responded.

1	Translink Transportation	Shipping requirements
2	Godrej Interio	Office furniture
3	T. Gandhi	Agro commodities
4	Andhale Tushar	Export lerated
5	Ethnic Point	Ready Made Garments
6	Mr. Muthu Vijayanand	Spices and food items
7	SRP Exporters	Earthen Clay products
8	I.P. Exports	Veils & laces
9	RJS Exporter	Jute products
10	Deejay Export	Raw sugar / agricultural products

11	JKR Exports	Cardamom
12	Shalom Global Exports	Rice, Spices, Garments, Cosmetics Etc.
13	J Traders	Handicrafts, Garments, Agro products etc.
14	AMA Herbal	Herbal products
15	Aneem Exports	Rice
16	Ramajayam Shanmugam	Rice & Spices

9 Visas issued

During this month this Consulate issued **1086** Business visa and **2858** Tourist visas.

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