

**CONSULATE GENERAL OF INDIA**  
**SAN FRANCISCO**

**MONTHLY COMMERCIAL REPORT FEBRUARY 2016**

**Important Commercial News – Feb. 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 today that the goods and services deficit was **\$45.7 billion** in January, up \$1.0 billion from \$44.7 billion in December, revised. January exports were **\$176.5 billion**, \$3.8 billion less than December exports. January imports were **\$222.1 billion**, \$2.8 billion less than December imports.

The January increase in the goods and services deficit reflected an increase in the goods deficit of \$1.1 billion to \$63.7 billion and an increase in the services surplus of \$0.1 billion to \$18.0 billion.

Year-over-year, the goods and services deficit increased \$2.1 billion, or 4.8 percent, from January 2015. Exports decreased \$12.5 billion or 6.6 percent. Imports decreased \$10.5 billion or 4.5 percent.

The January figures show surpluses, in billions of dollars, with South and Central America (\$3.1) and Brazil (\$0.6). Deficits were recorded, in billions of dollars, with China (\$31.1), European Union (\$12.6), Germany (\$5.8), Japan (\$5.6), Mexico (\$5.6), South Korea (\$2.9), Italy (\$2.4), India (\$2.3), France (\$1.5), Canada (\$0.5), Saudi Arabia (\$0.2), OPEC (\$0.2), and United Kingdom (\$0.1).

- The deficit with **China** increased \$1.4 billion to \$31.1 billion in January. Exports increased less than \$0.1 billion to \$8.6 billion and imports increased \$1.5 billion to \$39.8 billion.

- The deficit with **Mexico** increased \$0.8 billion to \$5.6 billion in January. Exports decreased less than \$0.1 billion to \$19.5 billion and imports increased \$0.8 billion to \$25.1 billion.

## **2 Microsoft urges Indian government to use cloud, data units for projects**

Microsoft has urged the government to consider using its cloud offerings and data centers for projects such as those involving state owned enterprises, banking and smart cities.

Microsoft chief legal officer Brad Smith met communications and information technology minister Ravi Shankar Prasad, who said the government will be open to using the company's products as long as it approaches the relevant authorities through proper procedures and ensures that security concerns are addressed, according to a person familiar with the discussions.

Microsoft did not immediately respond to an email query seeking comment. Microsoft launched local data centers in India in September, offering its Azure cloud services and commercial Office 365 services, as the company sought to build up confidence in the products among the government, Indian companies and small and medium businesses in the country.

"When we think about the cloud opportunity in India itself, it is going to be a \$2 trillion opportunity," Microsoft chief executive Satya Nadella had said at the launch of the data centers.

The ruling BJP has in the past asked multinational corporations to set up local data centers to maintain data sovereignty and a large number of Indian enterprises have increasingly voiced concerns about hosting their data on the public cloud due to security concerns.

Setting up of local data centers by Microsoft was seen as an important development, especially for data-sensitive industries such as banking and e-governance projects. Smith also discussed the progress of its white space technology project to provide free Internet

connectivity, which the technology giant has been testing in India since last year. Microsoft had proposed that it be provided spectrum free of cost for the testing phase.

At Friday's meeting, the minister is learnt to have said that the government will decide on using white space technology after evaluating the pilot programme.

"The ministry will take a call on the project provided security concerns are met. The minister asked Microsoft to look at developing alternative technologies to take broadband to the inaccessible areas of the country," the person said.

### **3 US companies to invest \$27 billion in India, US-India Business Council chief says**

Over 50 American businesses are expected to invest \$27 billion (Rs.1.85 trillion) in India by 2017 as against \$15 billion invested since May 2014, US-India Business Council president Mukesh Aghi said on Wednesday.

"We expect 52 US companies to invest \$27 billion in India this year and next year, in addition to \$15 billion by 20 per cent of our member companies since Prime Minister Narendra Modi assumed office," Aghi said, citing a council survey. Noting that reforms under Modi's leadership were resonating well with US companies, he commended the country's rise in the ease of doing business index.

"Our members are buoyed by the direction of reforms, including fast-tracking approvals, transparent auction of natural resources and facilitating a level-playing field for investors," he said.

Reorganizing its policy groups to address Modi's priorities, focusing on manufacturing ties, the council told Modi at a meeting with him that a robust IP (intellectual property) policy was essential to boost investor confidence.

"We also stressed on greater clarity on certain FDI regulations and implementation of the goods and services tax (GST)," Aghi added.

A delegation led by council chairman and global networking major Cisco head John Chambers met Modi and key ministers to explore new opportunities for the India-US relationship. Council's ex-chairman, MasterCard chief executive Ajay Banga, vice-chairman Ed Monser and Aghi were also present.

"Both countries have a huge opportunity to scale bilateral trade exponentially in the coming years. The council has built a strong foundation in engaging US business in India to take the relationship to the next level," Chambers said later.

Asserting that India-US ties and India's business climate were getting stronger, Banga said the opportunity for the council to act as a catalyst for greater investment in India was greater than ever before.

Formed in 1975 at the behest of both the governments, the council is the premier business advocacy organization, comprising 350 top-tier US and Indian companies advancing India-US commercial ties.

The council is also the largest bilateral trade association in the US, and has offices in New York, Silicon Valley and New Delhi.

#### **4 Boeing doubles outsourcing from India to \$500 million in a year**

Boeing has doubled its outsourcing from India to \$500 million in the last one year, its country head said Tuesday. "We continue to increase our sourcing from India. If you look at the all the OEMs (original equipment manufacturers), we source from than any of them," Pratyush Kumar told ET, adding the chunk will only grow.

Speaking on the sidelines of the Make In India summit, Kumar said Boeing's top three initiatives with India have been the wire harnesses that TAL Manufacturing Solutions, a Tata Group company; wire harnesses for the fighter jets F15 and F18 with Hindustan Aeronautics and a Bangalore-based SME and a framework of agreements framework agreement with Tata Advanced Systems Limited.

Boeing works to manufacture critical parts for the Chinook heavy-lift helicopters. Apart from floor beams, TAL also makes ground support equipment for the C-17 aircraft. Recently, Boeing signed a framework agreement with Tata Advanced Systems Limited (TASL) to collaborate in aerospace and defense manufacturing and potential integrated systems development opportunities, including unmanned aerial vehicles.

Dynamatic Technologies and Tata Advanced Materials Limited (TAML) have delivered P-8I power and mission equipment cabinets, and TAML is on contract to provide P-8I auxiliary power unit door fairings and composite tailcones for the P-8I. Avantel has delivered the mobile satellite systems for the P-8I. Hyderabad-based Cyient (formerly Infotech) has supported a number of critical design-engineering projects for Boeing airplanes, and currently provides design and stress support on the 747-8 Freighter and the 787-8 and 787-9.

Bharat Electronics Limited (BEL) has delivered the Indian-designed Data Link II for the P-8I. Data Link II is a communications system that enables exchange of tactical data and messages among the Indian Navy aircraft, ships and shore establishments. BEL has also delivered the identification friend-or-foe interrogator, a battle management system that enables the aircraft to distinguish friendly aircraft and forces. BEL is also on contract to provide F/A-18 flight deck cockpit panels. Electronics Corporation of India (ECIL) has provided the speech secrecy systems for the P-8I.

HAL has been the single-source producer of over wing exit doors for the 757 planes. HAL has also manufactured the 777 uplock boxes, F/A-18 gun bay doors, F/A-18 wire harnesses, P-8I weapons bay doors, and P-8I identification transponders.

Earlier in the day, defense secretary for production A.K. Gupta said the ministry is looking at about 25 projects that will be opened up for industry participation shortly.

## **5 Amazon to acquire EMVANTAGE Payments**

Amazon.com Inc on Tuesday announced its plan to acquire EMVANTAGE Payments Pvt. Ltd., a privately held company that offers services in the area of online payments. EMVANTAGE has developed a series of payment solutions including a payment gateway, mobile payment solutions and pre-paid card solutions.

Acquisition of EMVANTAGE will help Amazon accelerate the development of convenient and trustworthy payment solutions for customers and the ecommerce industry in India, the company said. As part of this acquisition, EMVANTAGE's employees will join Amazon's payments team to develop innovative payment products and solutions specifically for the Indian market..

"We are laser focused on providing customers in India with a convenient and trustworthy shopping experience" said Srinivas Rao, director, Amazon Payments India. "Emvantage is a valuable addition to our team as we accelerate our payment offerings, ensuring the best in class online payment experience anywhere that customers shop with us," he said. Subject to customary closing conditions, the acquisition is expected to close in the first quarter of 2016, the company said.

## **6 Amazon buys 26% in Tatas' publishing co Westland**

Seattle based American e-commerce giant Amazon has acquired a 26% stake in leading publishing house Westland from Tata Group company Trent for Rs 9.5 crore, upping its presence in Asia's third largest economy. The deal with Trent also allows the Jeff Bezos-led company to buy the remaining 74% stake in future. Trent inherited Westland following its acquisition of Landmark book stores in 2005.

This is the third publishing business in which the Tata Group has begun divesting its interest. In the past, it exited Tata Infomedia, best known as the publisher of the Tata Yellow Pages directory, and Tata McGraw-Hill Publishing, producer of educational and professional books.

Chennai-based Westland - an amalgamation of EastWest Books and Westland Books - currently focuses on publishing Indian-authored books and is among the top five publishers in the country. It has restructured operations by exiting the loss-making distribution business and is expected to turn around this fiscal. Several international players had showed interest in Westland but Amazon emerged the winner for the stake purchase.

"Amazon's roots are in books and it remains a major part of their business. This investment from a company with such deep experience in books, global reach and digital platforms will help us take our Indian authors and their works global," said Gautam Padmanabhan, CEO, Westland. The 26% stake gives Amazon one seat on Westland's board.

India ranks seventh in overall publishing and third after the US and the UK in English language publishing. Book publishing in India is estimated to be worth Rs 10,000 crore and is expanding at an average growth rate of 30%, according to a Ficci report. The deal in Westland will help Amazon have a bigger selection of exclusive 'Indian writing books' and have a firm foothold in the e-books market. Westland publishes exclusively or jointly eight of the top 20 authors in the country. Amazon's Indian rival Flipkart exited the e-books segment last year.

Sarah Jane Gunter, director, Amazon Publishing, said, "Our investment in Westland continues Amazon's commitment to innovating and investing heavily on behalf of customers in India - it's still very much Day 1."

## **7 US pharma body slams Indian patent regime**

Criticizing India's "weak" intellectual property rights (IPR) regime, PhRMA (Pharmaceutical Research and Manufacturers of America), which represents leading pharma and biotech companies in the US, has suggested India remain on the Priority Watch List in the 2016 Special 301 Report.

The Special 301 Report is an annual review of the state of IPR protection and enforcement in trading partners of US, and identifies challenges and opportunities facing US companies in foreign markets. The hearings on the issue will start in March. PhRMA said India's "legal and regulatory systems pose procedural and substantive barriers at every step of the patent process, ranging from the impermissible hurdles to patentability, posed by Section 3(d) of Patents Act to the narrow patentability standards applied in pre-grant and post-grant opposition proceedings".

"Not only is this a concern in the Indian market, but also in other emerging markets that may see India as a model to be emulated," PhRMA says in its submission to the USTR for 2016 Special 301.

Elaborating the reasons for a "weak IPR environment", it says high tariffs and taxes on medicines, high effective import duties, a burdensome environment for clinical research and ambiguities continue to prevail, with discriminatory and non-transparent market access policies.

"India collects more in taxes on pharmaceuticals than it spends on medicines. While, there is a general lack of access to healthcare in India, with government spending on healthcare at 1% of GDP, one of the lowest levels in the world," it adds. Pointing out that a patented medicines pricing policy is still pending and may discriminate against importers, it adds no meaningful action has been taken to address barriers, and significant unpredictability in IP protection and enforcement remains.

Countering the US companies' view, the Indian pharma industry says there has been considerable progress with an efficient grant of patents, and judicial enforcement of patent rights have been strengthened. There is reason to believe that apprehensions relating to abusive opposition procedures, incorrect application of 'hindsight' analysis to invalidate



patents, compulsory licensing and the consequences of Section 3 (d) have been significantly allayed.

The Indian Pharmaceutical Alliance (IPA) said in its submission on February 5, "recent developments in India suggest that the procedural irritants relating to patents highlighted to the USTR in the past are being seriously addressed. Specific steps have already been taken to strengthen the Patent Office. The Supreme Court has interpreted the Patents Act to remove apprehensions of abusive multiplicity of challenges to the validity of a patent, while important legislation is now in place to speed up resolution of commercial disputes, including those relating to intellectual property rights".

Some long-standing substantive grievances of US companies relating to India's IPR regime remain. These are mainly compulsory licensing provision in Section 84, and the prohibition on grant of patents to new forms of known substances without therapeutic benefit in Section 3(d) of the Patents Act. US innovator companies are also concerned by the alleged lack of data exclusivity.

"India's stance is that the current patent regime is fully TRIPs compliant and strikes the appropriate balance between the grant of monopoly patent rights and public health imperatives," IPA director general D G Shah told TOI.

The IPA has presented data to suggest that the gulf between US and Indian patent regimes may not be as wide as perceived in terms of outcomes for patentees. Several collaboration deals between US firms and domestic companies including Amgen with Dr Reddy's to distribute Amgen's oncology and cardiology medicines, Gilead's licensing agreement with companies for hep C generic medicines, Merck and Sun Pharma for tildrakizumab, and Boehringer Ingelheim US subsidiary with Lupin for linagliptin, are ways in which MNCs are collaborating with companies to increase access in the Indian market.

## **9 Apple to setup technology development centre in Hyderabad with \$25 million investment**

Apple will build its technology development centre outside the US in Hyderabad with an investment of \$25 million (Rs 170 crore), likely employing about 4,500 people. Apple's centre will occupy 250,000 square feet in Tishman Speyer's WaveRock facility in the city's IT corridor and is set to start in the latter half of this year. Cupertino, California based Apple, confirmed the plans.

They have been investing to expand their operations in India and are thrilled to have passionate customers and a vibrant developer community across the country, a spokesperson said.

The company is looking forward to opening a new development office in Hyderabad that will be home to over 150 Apple employees supporting maps development. The office will also have space for many contractors who will support our ambitious efforts locally. Jayesh Ranjan, IT secretary of Telangana, told ET while confirming the details of Apple's investment that "MoU will be signed after some approvals come." They're (Apple) waiting for the SEZ approval (for the area) to come, which is expected to be given in a couple of days, he had told ET.

The company has been in talks with real estate firm Tishman Speyer for a long-term lease of about 250,000 sq. ft., ET reported last month, citing people familiar with the matter.

Apple follows Google and Microsoft, which have said they will invest in the state. Google plans to open South Asia's biggest campus and its only facility outside the US in Hyderabad in the next few years chief executive officer Sundar Pichai announced in December. Microsoft also plans to expand operations in the state.

The rising importance of India as a market for Apple marks a sea change from a couple of years ago. The US smartphone maker's move comes on the heels of applying for a single-brand retail license that will enable it to open its stores in India.

The government has eased foreign investment rules for single-brand retailing and relaxed local procurement conditions for high-tech companies. At present, Apple sells iPhones, iPads, Macs and other products through third-party resellers.

India is the world's fastest-growing smartphone market, having surpassed the US in 2015, making a strong case for Apple to set up stores in the country and reap the benefits of a large software development resource pool.

The South Asian nation is becoming an important market for Apple, where its iPhones have immense brand recall and massive aspirational value, especially among the youth. Apple CEO Tim Cook recognized the growth potential in the country after the company's India revenue growth surpassed that of developed market. Revenue in India surged 38% in the October-December period, exceeding the 11% growth in overall emerging markets and 14% in Greater China, Apple's second-largest market after the US.

Apple's iPhone sales volumes grew 76% in India compared with 45% in Korea, the Middle East and Africa, 20% in several western European countries and 18% in mainland China in the quarter.

The company posted its best quarterly sales in India with volumes crossing 800,000 units in the three months ended December, when sales in developed markets faltered.

## **11 Trade Enquiries**

The following companies/individuals approached this Consulate during the month for trade related queries. All of them were appropriately responded.

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| 1. | N23 International, Ahmedabad | Paper Bags, Food Products, Rice<br>Packaging materials, Pharmaceuticals, Etc. |
| 2. | SAAS International, Mumbai   | Marble Sculptures, Wood Furniture   |
| 3. | JKR Exports, Tripur          | Hosiery garments  |

4.	Puneet Jain, India	Sesame seeds
5.	Dinesh Rao, California	Handicrafts
6.	Shilok Exports & Imports, Surat	Diamond Jewellery
7.	Sri Parvathi Exports, Tamil Nadu	Fruits, Vegetables, Herbs, Medical Dressing
8.	World One Enterprises, India	Handicrafts
9.	SkyKick, Seattle	PAN number for opening a business in India
10.	Range Ceramic, Gujarat	Ceramic Tiles
11.	EMMAR EXIM, India	Paper cups
12.	Talmor Suchard, CA	Stamp Papers
13.	Gerald Grott, Phoenix	Solar Systems
14.	Hanif Empires, Chennai	Coconut products
15.	Meera Parekh, India	Sanitary Ware, Ceramic tiles
16.	KRS Exports, Karnataka	Spices, Tea, Rice, Vegetables, Leather Goods Towels, Garments
17.	Bansidhar Packaging, India	Plastic Materials
18.	JBK Exim, Tamil Nadu	Concrete tiles, Pavers
19.	Jayakumar Thangavel, Tamil Nadu	Candles Tea
20.	Rajdhani Crafts	Setting up business in US
21.	Dhanalaxmi Manufacturers	Tools for Jewellers
22.	Gaikwad Export Service	Agriculture equipments
23.	Precigem	Diamonds & Jewellery
24.	Gloria Exports,	Spices
25.	VBB International	Spices, oil seeds, Agriculture products
26.	Krishna Trades Impex	Textile Fabric, Garments

## Visas

During the month of Feb. this Consulate issued **1458** Business visas and **3628** Tourist visas

Purshottam Bhatnagar  
Commercial Officer  
Consulate General of India  
San Francisco, CA