

CONSULATE GENERAL OF INDIA
SAN FRANCISCO

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Important Commercial News – July 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 \$43.8 billion in June, up \$2.9 billion from \$40.9 billion in May, revised. June exports were \$188.6 billion, \$0.1 billion less than May exports. June imports were \$232.4 billion, \$2.8 billion more than May imports.

The June increase in the goods and services deficit reflected an increase in the goods deficit of \$2.9 billion to \$63.5 billion and a decrease in the services surplus of less than \$0.1 billion to \$19.7 billion.

Year-to-date, the goods and services deficit increased \$1.6 billion, or 0.6 percent, from the same period in 2014. Exports decreased \$33.4 billion or 2.9 percent. Imports decreased \$31.8 billion or 2.2 percent.

The June figures show surpluses, in billions of dollars, with South and Central America (\$3.5), OPEC (\$0.7), and Brazil (\$0.6). Deficits were recorded, in billions of dollars, with China (\$29.0), European Union (\$13.9), Germany (\$6.8), Mexico (\$5.4), Japan (\$5.2), Canada (\$3.1), South Korea (\$2.3), Italy (\$2.2), France (\$1.7), India (\$1.6), Saudi Arabia (\$0.5), and United Kingdom (\$0.2).

- The deficit with **Canada** shifted from a surplus of \$0.2 billion in May to a deficit of \$3.1 billion in June. Exports decreased \$1.1 billion to \$23.0 billion and imports increased \$2.2 billion to \$26.2 billion.

- The deficit with **Mexico** increased \$1.3 billion to \$5.4 billion in June. Exports increased \$0.1 billion to \$20.0 billion and imports increased \$1.4 billion to \$25.5 billion.

2 Indian companies among top drivers of FDI in United States

Indian companies have invested \$15.3 billion in the United States, with Texas being the top destination, and created 91,000 jobs, according to report released recently. The report, prepared by Confederation of Indian Industry and auditing firm Grant Thornton, also found that Indian companies were present in all 50 states of the US. These 100 companies have created 91,000 jobs directly and many more indirectly through interlinkages and support operations, as is always the case.

Most of the investments are in IT, IT-enabled services and telecom as much as 40% but the report noted a growing interest in life sciences, manufacturing and automotive sectors. The report was based on a survey of 100 Indian companies, which, CII and Indian officials said, was not the totality of all Indian businesses in US — there is no count of it. But the story told by these 100 companies was compelling enough for a large number of US lawmakers to show up at the report's release on Capitol Hill, and bait each other.

India is the eighth fastest growing source of foreign direct investments into the US, according to the SelectUSA section of the country's department of commerce. Some Indian companies with operations in the US face an image problem — especially those in IT and IT-enabled services. They are seen as replacing local hires with Indians on H-1B visas. Businesses and Indian officials have long felt a need to counter that perception with a report such as this that highlights the jobs Indian businesses create here instead.

3 Indian IT outsourcing firms seek to boost revenue through Obamacare

India's IT outsourcing firms are looking to US President Barack Obama's

healthcare reform to boost their revenue growth which is slowing as the \$146 billion industry's key financial and manufacturing clients spend less on software services.

The United States is the biggest market for the outsourcing industry, which is dominated by Tata Consultancy Services Ltd, Infosys Ltd and Wipro Ltd.

It also accounts for 90% of all healthcare related contracts, which researchers Everest Group expect to more than double to about \$68 billion in 2020 from nearly \$31 billion two years ago, largely due to "**Obamacare**".

"In terms of technology maturity, other sectors like manufacturing, banking, are a lot more mature than healthcare," said Rajib Bhattacharya, head of a healthcare software unit that India's fifth largest outsourcing firm Tech Mahindra Ltd set up last month. "I think it's a huge opportunity," he recently told Reuters.

Average revenue growth for India's top five outsourcing firms by market value is expected to slow to 13.3% year-on-year in the quarter that ended June 30 from 18.6% growth in the same year-ago period, Thomson Reuters data shows. The slowdown is largely due to banks, manufacturers and financial firms cutting down on IT spending amid uncertain prospects for the global economy.

By contrast, US states have to upgrade healthcare programs and build online exchanges where buyers can evaluate and select service providers under Obamacare, creating outsourcing opportunities worth hundreds of millions of dollars. Health care deals currently account for less than 10% of the sales of market leader TCS, which will be the first outsourcing firm to report first-quarter earnings soon.

Last year, its annual revenue growth shrank to 13.6% from almost 30% growth in the previous year, the Reuters data shows. Rival Infosys also reported slower annual revenue growth of 6.9% from 24.2% in 2013/14. Both TCS and Infosys declined to comment ahead of their quarterly results.

Researchers Gartner estimate global IT spending will this year fall 5.5% from a year ago to \$3.5 trillion, which means competition for booming sectors like healthcare will be fierce. Analysts, however, say Indian outsourcing firms must address US concerns about privacy, and spell out how they intend to protect sensitive medical and personal data for US patients that will be processed half a world away in India.

"The best chance that Indian companies will have is to make acquisitions of companies that specialize in healthcare technologies," said Kevin Parikh, chief executive of US-based management consulting firm Avasant.

4 Uber to set up biggest global office for \$50 million in Hyderabad

Taxi-hailing app Uber, which was banned by the Telangana government seven months back for unauthorized taxi operations, is now helping the state in formulating a new regulatory framework.

The US-based company on Monday signed a MoU with the Telangana government to invest \$50 million (about Rs 320 crore) over the next five years in Hyderabad, and would also partner with the state in skills development.

"Uber would establish a state-of-the-art facility in Hyderabad that would house about 500 employees and would be the largest such facility outside the US," Siddharth Shanker, general manager Uber, Hyderabad, said. The company declined to explain the activities planned or the role of these employees. The company also launched its "first cash payment" service in April in Hyderabad.

It is a turnaround for the company in the state, which deemed Uber's services illegal, as it said the web and app based taxi services are not under the state Road Transport Authority or any other regulation in the country. The ban on the company in Telangana and Andhra Pradesh among other states came in December in the wake of a rape incident in New Delhi. Uber, which now enjoys the government's support, is guiding the state in making of the regulatory policy.

“They have shared a draft, which we would discuss with the RTA, the nodal body that would bring out the regulatory document on the technology-based taxi services in a month,” Jayesh Ranjan, secretary, IT, Telangana government told HT. Uber would collaborate with the Telangana Academy of Skills and Knowledge (TASK) to train over 2,000 candidates by 2016-end, which will then drive on Uber platform.

5 Oracle is largest office space buyer in GIFT City

While smart cities are still in the pipe, IT majors have already started housing their branches in India’s first such city in Gujarat -- Gujarat International Finance Tec-city (GIFT City).

Computer hardware and database major Oracle has occupied over 105,442 square feet of office space in GIFT City and plans to shift some of its existing manpower from across India and hire fresh employees to build its operations in this city. Jones Lang LaSalle (JLL), the real estate consultancy firm that facilitated the deal for Oracle, said that this it is one of the largest ever office transactions in the city for any information technology (IT) multinational.

It is also understood that many other IT majors such as TCS, Infosys and Cisco are likely to pick up space in the city soon.

“Just five years ago, Ahmedabad was not even present on the evaluation map of the large occupiers; today, the scenario has changed drastically. There are many IT companies looking to start up operations in Gujarat,” Jigar Mota of JLL India told HT.

Mota added that the office space demand in this city is growing due to the fact that it is the only city with an International Financial Services Centre in India, setting it apart from the other Smart City projects in India.

According to sources, Oracle is paying rentals below Rs 30 lakh per month for this office space, which is almost 15-20% lower than the prevailing market rentals

due to a slowdown in the rental space. According to global property consultant CBRE, IT is the sector occupying the largest office space across the country.

“With a share of about 36%, IT/ITeS remained the largest occupier of office space across these seven cities,” CBRE said in its latest office space survey.

6 Oracle plans data centre in India

Thomas Kurian was appointed the president of Oracle responsible for product development in January, making him the senior-most executive in the company after co-CEOs Safra Catz and Mark Hurd. Kurian, who reports to executive chairman and CTO Larry Ellison, is seen as a strong contender for the corner office.

Kurian talks about the company opening its tenth product development centre in India in Gujarat International Finance Tec-City (GIFT) and how the country has emerged as the second-largest product development workforce outside the US. Close on the heels of rival Microsoft setting up data centres in India, Oracle is also firming up similar plans with its partners. In an exclusive interview, Kurian, who grew up in Bengaluru, talks about India's role in Oracle's overall product story.

Oracle hired 2,300 engineers in product development in 2015 fiscal of which 18% were college graduates. When we entered the market in 1994, Oracle wanted to make India a large place for product development. We didn't contract with any firm. Success in India meant three things to product development — being able to attract the best people and India is not just about maintenance of existing products, but building new products. We wanted India to be self-sufficient in terms of managing the entire lifecycle development.

Last year, Oracle sold substantially more cloud business than Salesforce globally and more than ten times the size of Workday in terms of customers. Oracle has a product portfolio and go-to-market with its sales teams both catching up and in many cases surpassing Workday and Salesforce. On a full year basis, it added

more new revenue to Oracle and more new customers than Salesforce by a large amount.

7 WTO members reach landmark \$1.3 trillion IT trade deal

WTO members representing major exporters of information technology products agreed on 24 July, 2015 to eliminate tariffs on more than 200 such products. In a meeting this afternoon at the WTO headquarters in Geneva, a tentative accord reached by 54 WTO members on 18 July was confirmed as the basis for implementation work to begin. Ministers from the participating members will now work to conclude their implementation plans in time for the WTO's 10th Ministerial Conference which will be held in Nairobi this December.

“Today's agreement is a landmark,” said WTO Director-General Roberto Azevêdo. “Annual trade in these 201 products is valued at over \$1.3 trillion per year, and accounts for approximately 7% of total global trade today. This is larger than global trade in automotive products — or trade in textiles, clothing, iron and steel combined.

“Eliminating tariffs on trade of this magnitude will have a huge impact. It will support lower prices — including in many other sectors that use IT products as inputs — it will create jobs and it will help to boost GDP growth around the world.

“This is the first major tariff-cutting deal at the WTO in 18 years. Coming so soon on the heels of the historic Bali Package which members agreed in 2013, it shows that the multilateral trading system can deliver. The WTO has now negotiated two deals in the space of two years which deliver real, economically significant results. I hope that this success will inspire members in other areas of our negotiations.”

The Director-General added that no other negotiating forum could include so many countries. He pointed out, as well, that all 161 WTO members will benefit

from this WTO agreement, as they will all enjoy duty-free market access in the markets of those members who are eliminating tariffs on these products. The terms of the agreement will be formally circulated to the full membership at a meeting of the WTO General Council on 28 July.

Among the products covered in this agreement are new-generation semi-conductors, GPS navigation systems, medical products which include magnetic resonance imaging machines, machine tools for manufacturing printed circuits, telecommunications satellites and touch screens.

Under the terms of the agreement, the majority of tariffs will be eliminated on these products within three years, with reductions beginning in 2016. By the end of October 2015, each of the participating members will submit to the other participants a draft schedule which spells out how the terms of the agreement would be met. Participants will spend the coming months preparing and verifying these schedules. The objective is to conclude this technical work in time for the Nairobi Ministerial Conference in December.

The agreement also contains a commitment to work to tackle non-tariff barriers in the IT sector, and to keep the list of products covered under review to determine whether further expansion may be needed to reflect future technological developments.

The agreement this month is an expansion of the 1996 Information Technology Agreement which involves 81 members. In 2012, members recognized that technological innovation had advanced to such an extent that many new categories of IT products were not covered by the existing agreement. Negotiations began in 2012 to expand the coverage of the accord.

8 Trade Delegation:

No Trade related delegation visited India from the jurisdiction of this Consulate during the month.

Following Trade related delegation visited the jurisdiction of this Consulate during the month:

- 1 Mr. Devedra Fadnavis, Chief Minister of Maharashtra visited San Francisco, Seattle and Los Angeles from June 30 to July 6, 2015. The meetings were held with Incubator Promoters in Palo Alto, Cisco, round table meeting regarding Invest in Maharashtra, Apple, Facebook and Google. In Seattle he held meetings with Microsoft, Boeing & Amazon. In Los Angeles Chief Minister inaugurated Brihan Maharashtra convention.
- 2 Mr. A.K. Singh & Mr. A.K. Bakshi from Energy Commission visited Berkeley, CA from July 27-31, 2015.
- 3 Six Member delegation led by Mr. Upendra Tripathy, Secretary, Ministry of New & Renewable Energy visited San Francisco & Phoenix, AZ from July 13-18, 2015. They held meetings at LBNL & NREL to strengthen collaborations for joint R&D and capacity building programs for Solar & Biomass projects.

9 Trade Enquiries:

The following organizations / individuals approach this Post for various trade related inquiries. All of them were responded appropriately.

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|---|--------------------------|---|
| a | Bidyut Kumar, India | Foreign Collaboration |
| b | Devrara & Co., India | Leather goods, Textile, Footwear |
| c | Hillstock Nuts & Spices | Nuts Spices & Rice |
| d | JESDAVIS Enterprises, TN | Spices Vegetables |
| e | Samuel Williams Barnabas | Tortilla Chips |
| f | Range Ceramic | Ceramic Tiles |
| g | VSK Internationals, TN | Vegetables, Fruits, Spices, Rice |
| h | Prem International | Spices, Agro Products |
| l | AirOcean Exporters | Areca Palm Leaf Plates |
| j | Hara International | Leather Bags |
| k | Aswin A. Trade | Wax Candles |
| l | Fortune Idea Fab | Yarn, Fabric, Textile, Garments, Vegetables, Food products |
| m | Geo Trader | Cashew Nuts, Cardamom |
| n | Mr. Manikandam | Textile Products |
| o | Faisal Export | Gemstones |

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|---|-------------------------|--|
| p | Salagram Bhoorchand | Organic/Inorganic Chemicals |
| q | Bhatnagar International | Quarts |
| r | 2s exports | Papad (Appalam) |
| s | Divyam Exports | Non-Basmati Rice |
| t | ALS Exports | Jeans Jackets Shirts & other garments |
| u | CPM Handlooms | Household Linen, towels, curtains etc |
| v | Alaska International | Terry Towels |
| w | Arrow Trade link | Honey, Industrial Chemicals, ceramic tiles etc |
| x | Nalam Exports | T-Shirts, Leather jackets |
| y | J. Jason Wentworth | Inflatable Lymphedema compression garment |

10 Visas

During the month of July this Consulate issued **986** Business and **2935** Tourist visas

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