

CONSULATE GENERAL OF INDIA
SAN FRANCISCO

MONTHLY COMMERCIAL REPORT April – 2013

Important Commercial News – April 2013

1 US International Trade

Goods and Services

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced that total March exports of \$184.3 billion and imports of \$223.1 billion resulted in a goods and services deficit of \$38.8 billion, down from \$43.6 billion in February, revised. March exports were \$1.7 billion less than February exports of \$186.0 billion. March imports were \$6.5 billion less than February imports of \$229.6 billion.

In March, the goods deficit decreased \$4.6 billion from February to \$56.1 billion, and the services surplus increased \$0.2 billion from February to \$17.3 billion. Exports of goods decreased \$1.8 billion to \$130.3 billion, and imports of goods decreased \$6.4 billion to \$186.5 billion. Exports of services increased \$0.1 billion to \$53.9 billion, and imports of services decreased \$0.1 billion to \$36.6 billion.

The goods and services deficit decreased \$12.9 billion from March 2012 to March 2013. Exports were down \$0.4 billion, or 0.2 percent, and imports were down \$13.3 billion, or 5.6 percent.

2 California Economy

California took a big step forward when Governor Jerry Brown proposed a \$96.7 billion balanced budget for 2013-2014. After a decade of accounting gimmicks and deficit spending that have masked California's financial problems, the proposed budget requires the citizens to live their means, pay down debt, and puts the state on the path to fiscal stability.

For the first time since 2007, California is in a position to operate without a deficit. This remarkable turnaround is made possible by a growing economy, voter-approved temporary tax increases and much welcome fiscal prudence built into the budget that aligns expenditures with revenues, sustains past budget cuts and creates a \$1 billion reserve to weather the changing economic climate.

Overall General Fund spending is projected to grow by 5 percent, from \$93 billion in 2012-13 to \$97.7 billion in fiscal 2013-14. Total revenues and transfers are estimated to reach \$98.5 billion. Debt is projected to shrink from \$27.8 billion to \$4.3 billion over the next four years.

Although the State was concerned over the economic impact of tax increases, the passage of Chamber-supported Proposition 30 allows California to increase its investment in education. Funding for K-12 and community colleges will increase by \$2.7 billion next year and \$19 billion by 2016-17. Funding for California State University (CSU) and the University of California (UC) will also increase 5 percent. Such investments will go a long way in helping to prepare more students for college and career and increase the affordability of higher education for deserving students.

The Governor's proposed weighted student formula for school funding should have a positive budget impact for the San Francisco Unified School District (SFUSD). The Chamber will watch legislation on health insurance implementation and Enterprise Zone reform related to the budget. Governor Brown deserves great credit for putting forth a budget plan that will help keep the state on a path toward economic recovery and fiscal stability. As the budget makes its way through the Legislature in the coming months, there will be many

pressures to restore funding to programs that have been cut in recent years. But this will only kick the can further down the road, and bring back a status quo of decline and uncertainty.

3 California's Exports to top 10 countries:

Leading California Exports (in \$ U. S. Millions)

Partner	2009	2010	2011	2012
World Total	120,080	143,269	159,354	161,699
Mexico	17,473	21,002	25,805	26,319
Canada	14,314	16,198	17,269	17,295
China	9,744	12,468	14,188	13,977
Japan	10,901	12,180	13,095	13,059
South Korea	5,912	8,273	8,425	8,238
Hong Kong	5,799	6,756	7,664	7,827
Taiwan	4,119	6,517	6,245	6,334
Germany	4,441	5,122	5,310	4,985
Netherlands	3,565	4,126	4,572	4,551
United Kingdom	3,916	4,180	4,154	4,343

India is currently California's 13th largest export destination. In 2012, California exports to India brought in over \$3.2 billion. California exports more to India than any other state, and the amount increased by approximately 47 percent from 2009 to 2012.

Miscellaneous manufactured goods made up 47.8 percent of California's exports to India in 2012, which translated into \$1.5 billion in exports. Computers and electronic products are the second largest export to India and brought in \$633 million in 2012.

4 Cisco eyes India's 'inclusion' pie

Cisco chairman and CEO John Chambers said his company would increase its commitments to India, especially in the area of inclusion that the [Indian government](#) was so focused on.

Chambers, who met Prime Minister [Manmohan Singh](#), in Delhi and also the ministers of IT

and commerce, said one of the company's key objectives was to work with the government to find technology solutions to India's challenges in education and healthcare. "With broadband and cloud, we can change the school system, have many more children learning from good teachers remotely. Every village can have a healthcare facility with a fast network connection, where the health data of a person can be captured and a doctor in a remote location can take a look at it," he said.

The \$46-billion Cisco runs a number of pilot projects around the country in education and healthcare in towns like Raichur and Shimoga in Karnataka and Chhindwara in Madhya Pradesh. Wim Elfrink, the company's chief globalization officer who accompanied Chambers, said over 6,00,000 hours of learning had happened in these projects across seven states. "Real scale will come when [the national](#) optical fiber network is in place," he said. In 2011, the Indian government had announced a plan to connect all 2,50,000 Gram Panchayats with a broadband network, and this work is in progress. Cisco in India recently innovated a box that combined a computer, router, projector, camera, speakers, microphone and a power management system. This affordable all-in-one box is expected to radically simplify the implementation of remote education and healthcare projects. In the early pilot projects, these were all separate elements bought from different parties, each with its own annual maintenance contracts.

"It used to be a nightmare managing all that. This single box has brought costs down, power consumption down, is dust and humidity resistant, and we expect it will be very viable for ordinary schools to adopt them," Aravind Sitaraman, president of Cisco's inclusive growth strategy, told TOI. Chambers, who has led Cisco since 1995, when the company had just \$1.2 billion in revenues, has over the past decade invested enormously in India, and in a way that few MNCs have. In 2006, Cisco established its Globalization Centre East in Bangalore, which it calls its second headquarters. Some 11,600 of its 70,000 employees are now in India, including the majority of its R&D staff.

Many of the innovations that have come out of the India centre are being used around the world. "We are not here for labour arbitrage. This is where the future

direction of the company is going to come from," Chambers said. Asked if an Indian could succeed him, Chambers noted that two of his senior-most executives were Indians. He described [Padmasree Warrior](#), Cisco's chief technology & strategy officer, as "absolutely amazing", and [Pankaj Patel](#), the chief development officer, as an "engineer's engineer". On US technology companies working against the interests of Indian IT companies on US immigration issues, Chambers said Cisco worked closely with a number of Indian IT companies and Cisco's welfare was closely tied to the fortunes of these companies.

Cisco's India R&D centre is also highly focused on urbanization solutions. That work has enabled the company to receive the mandate to do the ICT (information and communication technology) master plan for four of the seven smart cities that will come up along the Delhi-Mumbai Infrastructure Corridor. These include the Shendra Industrial Park in Maharashtra, Dholera Special Investment Region in Gujarat, Manesar-Bawal Investment Region in Haryana and Khushkhhera-Bhiwadi-Neemrana Investment Region in Rajasthan. "We have identified some 20 citizen services that can be delivered through a cloud-based model," [Jeff White](#), president of Cisco India, said.

5 Starwood to bring luxury brand St Regis to India

With more global hospitality players shifting their attention to Asia's growing economies as growth slows in more mature markets, the US-based Starwood Hotel and Resorts is focusing its radar on the still 'under-developed' hotel sector in India.

The company, with revenues of \$5.6 billion (R30,589 crore) is looking at introducing its luxury brand St Regis in India over the next three years. Also in the pipeline are plans to add 100 more hotels by 2015. Of its 1,200 hotels worldwide, Starwood currently has 30 St Regis luxury hotels. The company is looking at introducing the brand to India with at least five hotels in the pipeline.

"We are incredibly enthusiastic about India but it will take a while to grow. It has the potential to be our third largest market after the US and China," said Vasant

Prabhu, vice chairman and CFO, Starwood Hotel and Resorts Worldwide, who is touring India. Many of their brands are well established here. While their first luxury brand W will open in Goa soon, The corporate is in conversation with various partners for St Regis. The first two markets where St Regis could come are Delhi and Mumbai. St Regis will set a new standard of luxury in India and we are looking at opening at least five St Regis here.

“India is still the most under saturated hospitality market in the world mostly because infrastructure is a problem. Our time horizons are very long. The key point is to develop infrastructure so that consumers can move around with ease,” he said.

At the moment Asia Pacific contributes about 28% to the firm’s revenues. Prabhu did not give away India’s contribution but said that it is ‘sizeable’. “It’s already a big business. The new numbers are quite sizeable and we are seeing some great openings this year.”

Starwood has been following the asset-light strategy where it has been selling its owned hotel properties. Presently, of its 150 properties, 40 are still to be sold. “We’ll be selling all these hotels as we are targetting an asset-light strategy,” said Prabhu. Starwood has nine brands of catering to the luxury, premium and leisure segment, including Le Meridien, [Westin](#), St Regis, Sheraton, Four Points and more.

6 Upbeat Starbucks expands in Capital

US-based global coffee chain Starbucks, which is fast expanding its coffee stores in India in partnership with Tata Global Beverages, has said it expects India to be among its top five markets in the “long term”.

The company has been a late entrant in India, opening its first store in October 2012. Its stores are being operated by the joint venture firm Tata Starbucks.

Starbucks, the world’s largest coffee chain, refused to divulge specific details, it has chalked out aggressive expansion plans. “We see India as one of our key markets and expect the country to be one of our top five markets in the long

term,” said John Culver, president Starbucks Coffee China and Asia Pacific. Culver, did not spell out “long term” and only mentioned that there was “tremendous opportunity” for the company to grow in India.

Avani Saglani Davda, chief executive officer of Tata Starbucks, said the company would initially target the top 53 cities of the country for its stores. “We will also forge tie-ups with corporations for a possible coffee store or a kiosk in IT parks or corporate hubs,” he told **HT**.

India’s organized coffee market, estimated at around R1,500 crore with an annual growth rate of 25%, has hitherto been dominated by Café Coffee Day, Barista Lavazza and Costa Coffee.

The company opened its seventh flagship store within four months, at Delhi’s Connaught Place. More are on the way. Coffee consumption in India has grown by over 80% over the last decade. An estimated 115,000 tonnes of coffee was consumed in 2011.

7 H-1B visa: Why is India quiet on US protectionism

India finds itself without friends on the US Capitol Hill when it needs them most, as its companies appear to be in imminent danger of copping the worst of the immigration reform bill.

A US senator accused Indian IT giants with big US operations - Infosys, TCS and Wipro - of misusing H-1B visas, needed for highly-skilled foreign workers.

"H-1B visas are not going to Microsoft; they're going to these firms, largely in India, who are finding workers, engineers, who will work at low wages in the US," said senator Richard Durbin, at a senate hearing on Monday. He had listed out "these firms" as Infosys, Wipro and Tata.

"What got me was the lack of support for India there - no one defended them," said a US official who did not want to be named.

Microsoft's Brad Smith, a witness at the hearing, said: "I personally think it's important that we both recognize the need for these firms to evolve their business model."

Infosys, TCS and Wipro are among the top recipients of H-1B firms every year - 5,600, 7,469 and 4,304 respectively in 2012. There is an annual cap of 65,000 on these visas.

These firms are expected to be hit hard by a comprehensive reform bill authored by Durbin and seven other senators - called the Gang of Eight - under discussion. The bill argues that American jobs are being shipped abroad, and proposes to make it harder and more expensive for heavy H-1B users to bring in workers.

"Information technology services would be disadvantaged by such changes," Nirupama Rao, India's ambassador to the US, wrote in a recent oped in USA Today. TCS, Infosys, and Wipro did not offer any comments.

Industry body Nasscom felt that the debate was being twisted out of context. "The Indian IT companies operating in the US follow all processes as mandated for the H-1B visa system," said Som Mittal, president Nasscom.

"The issue of skilled workers travelling for short duration is unfortunately being linked to the larger debate on immigration. It does not take into account the contribution of the Indian IT industry to the United States economy. The industry has added significantly to the US competitiveness ... and to the community," Mittal said. Meanwhile, the impression gaining ground in the US is that India is not being heard adequately, possibly because there aren't enough people arguing on its behalf.

"Where are the opeds (other than Rao's)," asked a person familiar with the lawmakers on the Capital Hill are lobbied. "There are no organizations arguing for India."

8 Trade Delegation

(a) The business delegation including four US members of the House of Representatives, all Republicans visited India and met Mr. Narendra Modi, CM of Gujrat. The trip was sponsored by a political action committee (PAC), National Indian American Public Policy Institute (NIAPPI) founded by Shalabh Kumar, a Chicago businessman. The politicians leading the delegation were Marlin Stutzman, Cyntia Wiederspahn, Cathy Rodgers and Aaron Schock. The group had already met Narendra Modi in Ahmedabad and invited him to visit the US.

On the schedule of an extensive trip was a stay at the Lake Palace in Udaipur, a visit to Karnataka as guest of the state government, a visit to the [Taj Mahal](#), the tiger reserve at Ranthambore, a night at the Rambagh Palace in Jaipur, a visit to the Golden Temple in Amritsar and a dinner hosted by Punjab chief minister Parkash Singh Badal. A 'Bollywood extravaganza' had also been included for the guests. Neither the Indian Embassy in Washington nor the US Embassy in New Delhi was involved in the trip which appeared to be an entirely private enterprise.

(b) Governor Brown Leads Successful Trade/Investment Mission to China

Governor Edmund G. Brown Jr. led a 75-member business delegation that included a number of California Chamber of Commerce members including the opening of California's first foreign office in nearly a decade.

The goal of the mission was to expand trade and investment between California and China by identifying opportunities of mutual benefit. With more investment deals from China than any other state, California is positioned to capture China's growing foreign investment.

The Governor's schedule included high-level meetings with government officials—including China Premier Li Keqiang—meetings with current and potential investors in the California market, and several events highlighting the

Golden State's many resources. The Governor promoted California tourism, agricultural products, and green technology services and products, among other activities.

A highlight of the mission was the April 12 unveiling of the seal for the California-China Trade and Investment Office, a public-private program led by the State of California through the Governor's Office of Economic and Business Development (GO-Biz), the Bay Area Council, and economic development groups and private sector companies across the state.

The office, located in the Yangpu District of Shanghai, will be California's flagship vehicle for promoting both trade and investment between the state and China. Following the unveiling of the California-China office seal, there was a ceremony in which representatives of California companies signed deals with Chinese companies.

Among those deals was a \$20 million contract involving Sacramento-based McWong International (a Cal Chamber member) and Emeryville-based New Logic Research with Inner Mongolia-based China Coal Mengda New Energy Chemical Company and China National Coal Group for a zero-liquid-waste discharge project.

(C) No trade delegation visited this area from India during the month.

9 Tourist / Business visas

During the month of April 4015 tourist visas and 1580 business visas were issued by this Post.

10 Trade enquiries

This office received trade related enquiries from the following companies/individuals during the month and appropriate replies were sent to all of them.

- 1 Xoom Corporation, San Francisco
- 2 Trench Plate Rental co., Downey, CA
- 3 Fauna International, Kplkata
- 4 P.K. International, Mumbai
- 5 B.R.K. Minerals, Rajasthan
- 6 Shilpi India, Gurgaon
- 7 Bhagwati Engineering, Ahmedabad
- 8 ALS Exports, Coimbatore

11 Trade Disputes:

This office was approached by Mr. Kedareshwar Karanam of M/S Kamakhaya Enterprises, Hyderabad, complaining against Del Mar Photonics, Inc, San Diego, CA for non supply of goods even after paying partial advance to this company. This Post is in the process of negotiating with this company in San Diego.

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