

CONSULATE GENERAL OF INDIA
SAN FRANCISCO

MONTHLY COMMERCIAL REPORT June – 2013

Important Commercial News – June 2013

1 US estimates 2013 budget deficit at \$642 billion

The budget deficit for the current year is projected to come in well below what was estimated just a few months ago, according to a government study released on June 18, 2013. The Congressional Budget Office cites higher tax revenues and better-than-expected bailout repayments by mortgage giants Fannie Mae and Freddie Mac as the key reasons for the improved outlook. The budget office now predicts a 2013 budget deficit of \$642 billion, more than \$200 billion below its February estimate. This year's shortfall would register at 4 percent of the economy, far less than the 10.1 percent experienced in 2009 when the government ran a record \$1.4 trillion deficit.

Last year's deficit was \$1.1 trillion, capping four consecutive trillion dollar-plus deficits during President Barack Obama's first term. Obama inherited an economy in recession, which stunted tax revenues for several years. The deficit picture is expected to continue to improve next year and beyond, with the 2015 deficit now projected at \$378 billion, just 2.1 percent of the economy. All told, the budget office predicts deficits over the coming decade of \$6.3 trillion, down \$522 billion from earlier projections.

The CBO report comes as Washington has again hit budget gridlock after enacting a \$600 billion-plus tax increase on upper-bracket earners in January 2013. The report could sap momentum from further deficit-cutting efforts since the shortage will fall below 3 percent of the economy for several years, levels considered by many economists to be sustainable.

The improved budget picture also means that the deadline for increasing the government's borrowing cap has been postponed until October or November. It had been expected that lawmakers would have had to act this summer to increase the so-called debt limit.

One of the reasons for the burst of additional income tax revenues, the budget office says, is that upper-income taxpayers claimed more income late last year in order to avoid paying the higher tax rates enacted in January.

The agency predicts that publicly held U.S. debt, currently estimated at 75 percent of gross domestic product, will shrink to 71 percent of gross domestic product over 2017-2019 before inching up again at decade's end. As recently as 2007, the budget office notes, federal debt was just 36 percent of GDP.

"Such high and rising debt later in the coming decade would have serious negative consequences," CBO says in the report, citing longstanding arguments that high deficits and debt reduce national saving and investment and increases the risk of a full-blown fiscal crisis.

One of the reasons for lower deficits is that gridlock in Washington has meant that mandatory, across-the-board cuts have begun to take effect. The cuts are expected to curb spending by about \$80 billion in the 2013 budget year ending Sept. 30, 2013.

CBO is the nonpartisan agency that does economic and budget analysis for Congress.

2 CalChamber Urges Congress to Reform Immigration Law

Immigration reform is especially important to California, says Allan Zaremborg, president and CEO of the California Chamber of Commerce, in a letter sent June 17 to members of Congress urging action on national immigration reform.

More than 20 local chamber of commerce executives from throughout California also signed the letter, part of a growing coalition supporting comprehensive immigration reform.

"Four significant issues critical to our citizens and employers are why immigration reform is more important to California than any other state," said Zaremborg. "These issues include H-1B visas, the temporary worker program, enhancing border security in a way that does not hamper trade with Mexico, and resolving uncertainty over the legal status of the largest undocumented population in the country."

Tech Industry

California is home to the technology industry, which relies on highly skilled talent to innovate, design, manufacture, create jobs and grow the economy to enable success in the global marketplace. Currently, employers cannot find enough “home grown” engineers and scientists and are urging reform of the inadequate H-1B visa program.

According to the letter, “If the industry can’t find and bring enough skilled workers to California, they will go to where the engineers and scientists live—most likely offshore, which would not be a good outcome for the state.”

Agriculture

In addition, California’s unique and successful agriculture industry needs a temporary worker program that will provide a predictable workforce, the chamber executives say. “Immigration reform should bring certainty to employers, employees and families.”

California also is home to about 23% of the nation’s undocumented immigrants, half of whom have lived here for more than 10 years. Zaremborg and the other local chamber executives believe uncertainty over the legal status of so many undocumented immigrants in the state is a drag on the economy. The letter noted: “resolving the issue would stimulate consumer spending and investment.”

Finally, while border security is necessary to accomplish comprehensive reforms, it must be done in a way that protects legitimate commerce and travel. Mexico is California’s No. 1 export partner.

3 U.S. groups form alliance to push for Indian trade reforms

A coalition of U.S. business groups demanded President Barack Obama's administration increase pressure on India to change trade policies that they said threaten U.S. exports, jobs and innovation.

The move came before U.S. Secretary of State John Kerry’s departure to India for the fourth annual U.S.-India Strategic Dialogue.

"Today we are calling on the Obama administration to raise concerns immediately at the highest levels of the Indian government and to press for real results," Linda Dempsey, vice

president for international economic affairs at the National Association of Manufacturers, told reporters.

"If India does not act swiftly to comply with its international obligations, we believe that all trade and diplomatic options must be on the table," Dempsey said in a conference call to announce the groups' new coalition, the Alliance for Fair Trade with India (AFTI).

The move by a newly formed coalition of fourteen U.S. business groups follows a letter from the top Democrat and Republican on the Senate Finance Committee that also urged that Kerry raise trade concerns on his visit.

The groups - which also include the Pharmaceutical Research and Manufacturers of America, Motion Picture Association of America, Biotechnology Industry Association, National Foreign Trade Council and Solar Energy Industries Association - complained India was trying to boost its domestic manufacturers at the expense of foreign suppliers.

It has done that through a variety of means, including local content requirements, court decisions that invalidate valuable drug patents held by U.S. companies and failure to stop piracy of U.S. music, movies and software, the groups said.

"This trend is bad for India, it's bad for investment and it's bad for international trade," said Mark Elliot, executive vice president of the U.S. Chamber's Global Intellectual Property Center. "India is the international outlier" when it comes to protection of intellectual property, he said.

Dempsey and Elliot acknowledged it was unusual for their groups to form a coalition directed at one particular country.

As difficult as U.S.-China trade relations have been, the U.S. Chamber and NAM never forged an alliance dedicated to addressing those trade concerns.

But "over the last year, 18 months we've just seen action after action that really is about discriminating against foreign exports, inputs and sales into the Indian market," Dempsey said.

"We think by joining our voices together we can explain better to our own government and frankly the Indian government how to move this forward," she said.

The United States has already filed one case against India at the World Trade Organization against solar energy policies that it says unfairly discriminate against foreign firms.

Some lawmakers have suggested removing India from the U.S. Generalized System of Preferences program to express U.S. concern. That program waives duties on billions of dollars of India's exports to the United States.

4 Indo-US dialogue to focus on economic and trade relations

The US-India strategic dialogue that started on June 18, may turn into the most contentious yet with Washington expected to lean on New Delhi on key economic and trade issues.

India will push back explaining once again its position on contentious issues — preferential market access, IPR laws and multi-brand retail. It will also be raising concerns about the US immigration reforms seemingly targeting Indian technology firms operating in the US.

US Secretary of state John Kerry reaches New Delhi on June 23 for two days of talks and public events, in what will be his first visit after taking over from Hillary Clinton in April.

Kerry will put forward concerns raised by US lawmakers and businesses about restrictive trade practices. "There has been a lot of concern on the part of the American business community about what they see is growing obstacles to trade and investment," said assistant secretary of state Robert Blake at a Washington DC think tank event previewing US priorities for the dialogue on Wednesday.

US lawmakers and business bodies have demanded the government to build pressure on India to address the issues. "The fact that 170 members of the House have signed a letter, and a large number of senators as well," Blake said, adding, "India is trying to lobby them on comprehensive immigration reform, it's a bit tough for them to do that when there is this overhang of kind of negative viewpoint about trade."

Economic and trade issues are central to India-US ties with bilateral trade touching \$100 billion in 2012, and growing at 6% in the first four months of 2013.

In a video message on the visit, Kerry said, "Over the last decade, our bilateral trade has, believe it or not, grown five-fold." He didn't mention the differences pointed by officials.

US goal at the dialogue, Blake said, will be to "reinvigorate" talks on Bilateral Investment Treaty and the Trade Policy Forum. BIT is held up because of an internal review by India, but the trade forum went into disuse because of the unavailability of the US Trade Representative, who co-chairs it.

5 US to launch talks on free trade in environmental goods and services

The United States will launch negotiations toward global free trade in environmental goods and services, including clean energy technology, for a low-carbon world economy, President Barack Obama has announced. Also, the US will stop public financing for new coal plants overseas -- unless they deploy carbon-capture technologies, Obama said unveiling an aggressive climate change strategy that would limit pollution from existing coal-fired power plants.

"Our planet is changing in ways that will have profound impacts on all humankind," Obama said in a policy speech in Georgetown University Tuesday and urged other countries to join the efforts of his administration to combat climate change. "Developing nations with some of the fastest-rising levels of carbon pollution are going to have to take action to meet this challenge alongside us. They're watching what we do, but we've got to make sure that they're stepping up to the plate as well. We compete for business with them, but we also share a planet. And we have to all shoulder the responsibility for keeping the planet habitable, or we're going to suffer the consequences -- together."

Obama said the US had intensified climate cooperation with major emerging economies like India and Brazil, and China -- the world's largest emitter. "So, for example, earlier this month, President Xi (Jinping) of China and I reached an important agreement to jointly phase down our production and consumption of dangerous hydrofluorocarbons, and we intend to take more steps together in the months to come." India and the US Monday agreed to set up a new working group that would find ways to address the urgency of climate change.

The US president said his administration will redouble efforts to "engage our international partners" in reaching a new global agreement to reduce carbon pollution through concrete action.

Four years ago, in Copenhagen, participating countries agreed, for the first time, to limit

carbon pollution by 2020. Two years ago, it was decided to forge a new agreement beyond 2020 that would apply to all countries, not just developed countries.

"What we need is an agreement that's ambitious -- because that's what the scale of the challenge demands. We need an inclusive agreement -- because every country has to play its part. And we need an agreement that's flexible -- because different nations have different needs. And if we can come together and get this right, we can define a sustainable future for your generation." On the domestic front, Obama said the US must use less "dirty energy", waste less, transit to cleaner sources and lead the world "by the power of our example"

"The world still looks for the United States to lead," he said, noting that the US is the world's largest economy and the second-largest carbon emitter. And as a country with unsurpassed ability to drive innovation and scientific breakthroughs, "We've got a unique responsibility... a vital role to play". He said that to help more countries transitioning to cleaner sources of energy and to help them do it faster, the US would partner with the private sector to apply private sector technological know-how in countries that transition to natural gas. "We've mobilized billions of dollars in private capital for clean energy projects around the world," he added.

6 US drug firm raises red flag over 'blatant' patent violation

US pharmaceutical giant Merck Sharp and Dohme (MSD) said it is "concerned" about the "blatant" patent violation in India over two of its blockbuster anti-diabetes drugs — Januvia and Janumet.

"We do obviously have concerns. I am personally very disappointed in the current happenings in terms of the infringement case that's going on that we are currently facing for our diabetes drugs Januvia and Janumet — and I am very concerned for a number of different reasons," Kevin Ali, president, emerging markets, MSD told HT in an interview.

MSD holds an Indian patent on sitagliptin, a chemical compound sold under the Januvia and Janumet brands. MSD is locked in a legal battle with Mumbai-based Glenmark over the latter's low-cost version of the drug — Zita and Zita-Met, which MSD has contested as infringing upon its patents.

"I think potentially one needs to have further dialogue in order to ensure these kinds of blatant violations don't happen in future when people hold a strong for a compound patent in

the country. That needs to be discussed. I would like to clarify that our disappointment is with Glenmark's action of infringement of our compound patent and not with the patent law," he said. Glenmark has maintained that its products have been launched after due-diligence and research.

"I am concerned about the fact that patent law is critical to continue to foster an environment of innovation in India and all the stakeholders that I talk to in India are very proud of the relatively new patent law," said Ali.

Experts are keenly watching patent disputes over medicines in India, particularly after the Supreme Court, in a recent landmark judgment, rejected patent protection for Swiss drug major Novartis' anti-cancer drug Glivec.

"We have a very sound and strong patent. It meets the criteria of being very strong patent. Still it is in its early phases of commercialization for long term. We have patent till 2022 in India for Januvia and Janumet and we are only in 2013," said Ali.

7 Apple's iPhone trade in program not for Indian market

The Cupertino based Apple has reportedly launched trade in program in the US where it will give a higher version of the older iPhone that a user has been using. This seems to be very enticing for all the Apple fans wherever they are. So the Indian consumers are also wondering as to whether the trade in program will be launched in India or not.

But that seems unlikely as the main focus of the Cupertino based company in India is no older versions of the iPhones that have no market in the US. So it is trying to clear its old rotting inventory in markets like India and many have said that it is simply dumping its products here. Though many people who are going for iPhone 4 in the country are enticed by the name Apple and the class it belongs too, there is no doubt that the handset is outdated and even handset half its price offer a lot better value than this handset. But the first time Apple iPhone fans still feel enthused by it.

Meanwhile the company is trying to ward off competition in its home market. In a bid aimed to help the iPhone users to get an upgrade, the Apple Inc. (AAPL) is all set to roll out a one of its kind iPhone trade-in program where the iPhone users exchange their devices to get an upgraded iPhone 5. The joint collaboration between Apple and Brightstar Corp. (STAR), a mobile-phone distributor has not been official announced yet. Though Apple Inc has ventured

into this kind of trade-in programme for the first time, its partner Brightstar has previously handed the trade-ins for AT&T Inc. (T) and T-Mobile US Inc. (TMUS), as well as other carriers and device makers.

Analysts are of the view that this is a well thought out strategy. It is being believed that in the move, which is part of the company's ongoing effort of reigniting the sales growth along with the tackling the declining share, by offering money for the older handsets, the tech giant is trying to lure the iPhone user to upgrade the latest models. The new trade-in program with BrightStar will only be available at Apple's retail outlets, letting consumers receive payments instantly and avoid the hassle of shipping their older gadgets. The source that revealed about the partnership said: "Trade-in programs are used to support sales of new hardware in mature markets such as the U.S., where many prospective customers already own a smartphone. Used iPhones collected in the U.S. will only be resold in emerging markets, where Apple's share is lower and demand for cheap devices is greater. That way, the resale of Apple's older models won't cannibalize iPhone 5 sales in the U.S."

Samsung's latest flagship handset has posed biggest threat to Apple's iPhone. Apple had managed to sell 37.4 million units of the iPhone in the latest quarter, as compared to the 35.1 million in 2012. Apple shares plummeted 38 percent from a record in September thus increasing the investors concerns that the company's era of rapid growth may be over. Even though the Chief Executive Officer Tim Cook had maintained that the company would be bringing in some "game changer" consumer electronics products soon, the company is still trading at an 18 percent discount to Suwon, South Korea-based Samsung on a price-to-earnings basis. Israel Ganot, the chief executive of Gazelle, an online mobile trade-in service that's been operating since 2007, said: "Countries such as Southeast Asia, Africa and the Middle East are among the largest market for the re-sale phones for resell markets as the Average consumer in this market cannot afford to buy a new generation device. Many of those markets do not offer subsidies or face high import taxation. The average consumer will end up paying somewhere between \$800 and \$1,500 for a top-of-the-line smart phone such as the iPhone 5."

8 Google to use balloons to provide free Internet access to remote or poor areas

Google has a truly sky-high idea for connecting billions of people to the Internet — 12 miles in the air to be exact — through giant helium balloons circling the globe that are equipped to beam WiFi signals below. Google announced that it has 30 balloons floating over New Zealand to provide free Internet access to disaster-stricken, rural or poor areas. Eventually, as the balloons move across the stratosphere, consumers in participating countries along the 40th parallel in the Southern Hemisphere could tap into the service.

Called Project Loon, the experimental program was hatched by engineers at the company's top-secret Google X laboratory in California's Silicon Valley that invented driverless cars and eyeglasses equipped with voice-activated computers. Some of those technologies won't immediately — or ever — make money for the firm. Google said it pursues these “moon shot” ideas with the aim of solving big problems and creating breakthrough technologies that ultimately will bring more users to its services.

These projects also help Google extend its sprawling reach into the lives of global Internet users, amid an intensifying debate over Internet privacy. Already, the company has the leading Web search, e-mail service and Internet video site, while its Android mobile software has become the most popular in the world.

These tools have enabled Google to track a wide range of consumer behaviors, which the company sells to advertisers. In recent weeks, privacy advocates have raised concerns over how much of this data is being shared with the U.S. government.

The balloons also represent another of Google's forays into the telecommunications business. The company has been setting up Internet connections in Kansas City, Austin and elsewhere that offer speeds 100 times faster than what most consumers have today. Google also offers free WiFi in the Chelsea neighborhood of Manhattan and a few other U.S. cities. Top executives have long complained of the slow expansion of Web connections as a bottleneck to the growth of its business.

Mike Cassidy, the director of Project Loon, said the aim is to provide much cheaper Internet connections around the world. In many African nations, for example, monthly Internet costs are higher than monthly salaries.

“We are focused on an enormous problem, and we don’t think we have the one solution today,” he said in a phone interview from New Zealand. “But we think we can help and start having a discussion on how to get 5 billion people in remote areas” connected to the Internet. The thin plastic balloons hovering over New Zealand — measuring a few minivans in diameter and barely visible to Earth-bound spectators — use a mix of highly sophisticated and basic methods to deliver Internet connections of at least 3G cellular speeds.

The high-pressure balloons carry antennas, radios, solar-power panels and navigation equipment that talk to specialized antennas on rooftops below. But they do not have motors, and their travel largely depends on wind patterns.

The cluster of balloons provide a kind of drifting Internet network in the stratosphere, moving at a snail’s pace and lasting more than 100 days in the air. As long as a balloon is within a 24-mile radius, people would be able to tap into the network, Google said. Much cheaper than satellite technology — Google would not reveal specifics — the balloons could provide service in remote regions or perhaps an area that has lost its communications because of a violent storm.

That’s why the firm picked the cities of Christchurch and Canterbury in New Zealand for its first test case. The area is largely rural, and government leaders have embraced the plan.

Google needs permission from local governments to tap public airwaves. But if the balloons drift into the wrong areas, the engineers can use GPS and other telecom technology common among weather balloons to adjust their flight.

That the balloons are aimed at the Southern Hemisphere illustrates the importance of Africa and South America to Google’s future growth, some analysts said.

“There is an enormous problem of affordability of broadband access in much of the developing world,” said Gene Kimmelman, senior associate at Global Partners Digital, a technology policy consulting group. “We have an explosion of wireless devices everywhere,

even among the poorest nations, but in most instances there is limited access to the Internet.”

About two-thirds of the world’s population is not connected to the Internet. In developing nations, the portion is larger. About seven out of eight people in emerging market economies have no Internet access, according to the International Telecommunications Union, a multinational organization of communications regulators.

Balloons have been used for hundreds of years for military communications. But to make the inflatable Internet networks work, Google engineers had to overcome significant technical hurdles.

The balloons fly in the stratosphere, twice as high as airplanes, and engineers had to find a way to control their direction. So they came up with navigational controls that move balloons up and down to find altitudes where wind is traveling in desired directions. They also wanted to keep the balloons in clusters to ensure consistent connectivity in a given area.

All of this was done in secret for two years “I couldn’t even tell my parents about it, so I’m excited for them to know today,” said Cassidy, the Google project director.

9 Trade Delegations:

No trade delegation visited India during the month from the jurisdiction of this Post.

Following trade delegations visited this area from India during the month:

Three member delegation from the Ministry of New and Renewable Energy led by Mr. R.P. Watal visited Phoenix, AZ from June 09-12, 2013.

10 Trade disputes:

a This Post was approached by M/S Jobs International Pvt. Ltd. of Mumbai complaining about non-receipt of payment from California based company BDS Natural Products. The matter was taken up with the Bank and the issue was resolved.

b Mr. Suresh C. Bhatti of Industrial and Trade Development Company, Signal Hill California complaint to us that inspite of sending an advance money to M/S Indian Exports,

Saharanpur, India, he did not get the supplies. The Post is in touch with both the companies and trying to collect more information about the transactions.

11 Tourist and Business Visas:

The Post issued **3798** Tourist visas and **968** Business visas during the month.

12 Commercial Enquiries:

Following companies / individuals approached this Post for the commercial related queries and appropriate replies were given to them.

- a Mr. Bill Harris, Santa Ana, CA
- b Manohar International Pvt. Ltd., Ahmedabad
- c Forming & Forging Industries, Ludhiana
- d Mr. S. Guhananth, India
- e ALS Exports, Coimbatore
- f Jack Schumann, Arizona
- g Santosh Traders, Tamil Nadu
- h S A United, Patiala
- i Bright India Corporation, Ludhiana
- j Om Sai Sourcing, Noida
- k Mr. Jake Menachian, Honolulu

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

