

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

**MONTHLY COMMERCIAL REPORT JUNE 2016**

**Important Commercial News – June 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 that the goods and services deficit was \$41.1 billion in May, up \$3.8 billion from \$37.4 billion in April, revised. May exports were \$182.4 billion, \$0.3 billion less than April exports. May imports were \$223.5 billion, \$3.4 billion more than April imports.

The May increase in the goods and services deficit reflected an increase in the goods deficit of \$3.7 billion to \$62.2 billion and a decrease in the services surplus of \$0.1 billion to \$21.1 billion. Year-to-date, the goods and services deficit decreased \$7.2 billion, or 3.5 percent, from the same period in 2015. Exports decreased \$47.2 billion or 4.9 percent. Imports decreased \$54.3 billion or 4.7 percent.

The average goods and services deficit decreased \$1.0 billion to \$38.0 billion for the three months ending in May. Average exports of goods and services increased \$0.1 billion to \$181.7 billion in May.

Average imports of goods and services decreased \$0.9 billion to \$219.8 billion in May. Year-over-year, the average goods and services deficit decreased \$5.1 billion from the three months ending in May 2015.

Average exports of goods and services decreased \$9.1 billion from May 2015.  
Average imports of goods and services decreased \$14.2 billion from May 2015.

## **2 Jeff Bezos announces \$3 billion investment in Indian business in the presence of PM Narendra Modi**

Amazon announced a massive top-up for its India investment, mounting pressure on homegrown rivals Flipkart and Snapdeal and putting on notice China's Alibaba which looks poised to be a major rival in one of the world's most lucrative retail battlegrounds.

Amazon founder Jeff Bezos made the big announcement of a further \$3-billion (Rs 20,000 crore) investment in the presence of Prime Minister Narendra Modi, for whom canvassing foreign investment from American companies has been an important agenda. For Bezos, having Mr. Modi in the audience in Washington DC while promising more money for his Indian operations is a clever move that could help him score points at the highest level of government as Amazon lobbies for easier foreign investment regulations in online retail.

PM Modi also had a separate meeting with Bezos in Washington. This was after a roundtable with top CEOs in which Bezos was present along with 22 other chief executives.

The PM later presented the USIBC Global Leadership Award to the Amazon CEO.

India does not allow foreign direct investment in companies that stock inventory and sell directly to customers, something that Bezos wants changed. Two months ago, while clarifying its stand on guidelines for ecommerce companies, the government put fetters on discounting and emphasized that online retailers are marketplaces, and not merchants themselves.

"The aggressive efforts in India are both to race ahead of Flipkart and Snapdeal and also to scare away Alibaba which has clearly been showing a lot of interest in India," said Kartik Hosanagar, a professor of internet commerce at The Wharton School of Business. Flipkart did not reply to emailed questions seeking comment. Neither did Alibaba, which is rumored to be interested in investing directly in India, and has investments in Snapdeal and mobile marketplace and payments company Paytm.

Coming nearly two years after the Seattle-based online retail giant announced plans to invest \$2 billion, the announcement takes the total commitment to India to \$5 billion, which is more than the combined capital raised by both the main local rivals. While Flipkart has raised over \$3.2 billion, Snapdeal has mobilized around \$1.5 billion.

The promise from Bezos comes just days after ride-hailing app Uber said that a "significant portion" of the \$3.5-billion it raised in its most recent funding round would be deployed in India, demonstrating the lure of the market for global internet commerce companies.

The Internet and Mobile Association of India, an industry lobby group, estimates that the ecommerce market will be worth Rs 2.1 lakh crore by December 2016, growing nearly 68% in just one year. "Our aspiration is to transform how India buys and sells," said Amit Agarwal, the managing director of Amazon India. "Amazon.in has surpassed even our most ambitious milestones." A part of the money, he said, will be used to make investments that will improve efficiency among its sellers, so that these gains can be passed on to customers.

Winning India will come at a price for Amazon, which has been outspending its rivals two-to-one in recent months. Amazon India had a burn rate that may have increased to as much as \$90-100 million, according to several people in the industry who track Amazon closely. Amazon has also invested in home services

provider Housejoy, financial comparison service BankBazaar and gift card startup QwikSilver.

An Amazon India spokeswoman declined to comment about these burn rate figures. Flipkart, India's largest online retailer, has reduced its burn rate to \$45-50 million a month, investors directly aware of the company's operations said. Flipkart too declined to speak about financials. Experts said that after losing out to Alibaba in China, winning the Indian market has become critical for Amazon.

"For Amazon, India is a do-or-die market. China did not work for them and they will do whatever it takes to win India," said HV Harish, a partner at Grant Thornton India. Amazon, which launched India operations in 2013, has stepped up the pace of investment in the last two quarters, ET reported earlier this month. The main India unit, Amazon Seller Services, has received Rs 8,618 crore since the beginning of 2015 and over Rs 9,600 crore since it was set up.

### **3 US companies to pump \$45 billion into India in 2-3 years**

US companies will invest \$45 billion in India in the next two to three years, John Chambers, chairman of the US-India Business Council (USIBC) and executive chairman of Cisco, said. Speaking to Prime Minister Narendra Modi in Washington, Chambers said members of the council have already invested \$28 billion in India since September 2014.

"In September 2014, USIBC members indicated an investment figure of \$41 billion that was likely to be invested over a two to three-year period. Today, I'm happy to announce that in less than two years, about 20% of USIBC members have already invested \$28 billion," Chambers said. "In next two to three years, we will see this pace accelerating again with 20% of our members indicating that USIBC members are on track to invest an additional \$45 billion, which is a conservative estimate."

Chambers met Modi after his round table with USIBC members, which included the leadership teams of companies such as PepsiCo, MasterCard, Warburg Pincus, Lockheed Martin, Boeing, Westinghouse, Intelsat, Emerson and 8Minute Energy.

"It is very important for us that developed countries also open their markets, not only to goods from countries like India but also to services," Modi said. "India is much more than a market. India is a reliable partner. It is a source of high quality scientific, engineering and managerial talent."

The PM also presented the USIBC Global Leadership Awards to Dilip Shanghvi of Sun Pharmaceuticals and Jeff Bezos of Amazon.

"We are encouraging foreign and domestic investors to set up high quality and efficient manufacturing facilities," he said, while promising disciplined macroeconomic policies, gender justice and empowerment, social security net and inclusive growth, and assuring that major steps had been taken to curb corruption, which was one of the main concerns and constraints in India.

#### **4 India ranks second on GRD index on ease of doing business**

India jumped 13 positions from last year to rank second among 30 developing countries this year on ease of doing business, according to a study topped by China.

According to 2016 Global Retail Development Index (GRDI), which ranks top 30 developing countries for retail investment worldwide, a pick up in GDP growth and better clarity regarding FDI regulations have helped India achieve a second ranking.

"India's strong ranking reflects foreign retailers' increased optimism in its retail market and its vast growth potential," said Debashish Mukherjee, a partner with A T Kearney and co-head of the Consumer Industries & Retail Products Practice for India and Southeast Asia.

"India has relaxed several key Foreign Direct Investment (FDI) regulations in single-brand retail and this has paved the way for multinational firms to enter the market," Mukherjee said.

India's retail sector has expanded at a compound annual growth rate of 8.8 per cent between 2013 and 2015, with annual sales crossing the USD 1 trillion mark, according to A T Kearney, a London-based business consultancy.

India has also become the world's fastest growing economy. That coupled with a large population base and the easing of FDI regulations in the sector has made it an even more attractive market, it said in the ranking.

"We expect to see e-commerce to propel India's growth and make it a more attractive proposition. However, there are some challenges as well. India remains a challenging and complex market for foreign retailers, where understanding dynamics at the state level is important," Mukherjee said.

"Infrastructure bottlenecks including labor laws, complex regulations, high labor attrition rates, and limited high-quality retail space remain areas of concerns for retailers," he said.

India's retail sector has also benefited from the rapid growth in e-commerce. India is the world's second largest internet market and the increasing internet and smart phone penetration is contributing to the expansion of e-commerce.

As Indian consumers become more comfortable with shopping online, venture capital and private equity firms have boosted investment in the sector providing further momentum, the report said.

## **5 McDonald's may shift some jobs to India in \$500 million cost-cutting move**

Fast food giant McDonald's may be planning to outsource jobs to India as part of a \$500 million cost reduction plan it announced last November, a media report said. A report in the New York Post said McDonald's is shedding jobs as part of a \$500 million cost reduction spearheaded by Chief Executive Steve Easterbrook.

"McDonald's is also moving some functions to India in what could be a larger controversial push toward outsourcing," it quoted sources familiar with the company's plans as saying. A regional office in Columbus, Ohio is among the first casualties of the cost-cutting.

McDonald's described the facility's closing as part of "plans to permanently restructure its operations and eliminate a number of roles," in a May 13 letter the company sent to city officials. The layoffs will begin in July and end by December, it said.

The 70 workers at that facility provide support services to restaurants, including accounting functions, which may be moving to an Indian firm, say the sources.

"As part of our announced efforts to deliver \$500 million in savings by the end of 2017, we are restructuring many aspects of our business, including an accounting function," company spokeswoman Terri Hickey said. The report said as McDonald's growth has stalled; it has been shutting down regional offices across the country, of which there are now about 25, down from 40.

“There has been talk about McDonald’s moving (some operations) to India for years,” said Richard Adams, of franchise advice firm Franchise Equity Group. McDonald’s laid off more than 400 employees in 2015.

## **6 Trade Delegations**

During the month following delegation visited the jurisdiction of this Consulate from India:

Dr. Harsh Vardan, Honorable Minister for Science & Technology led a 4 member delegation on visit to San Francisco from May 30 to June 03, 2016 to participate in Clean Energy Ministerial (CEM 7) conference being held in San Francisco. He also had very successful discussions with Board of Directors of The Indus Entrepreneurs Silicon Valley during this visit.

The above mentioned conference was also attended by two member delegation from Ministry of New & Renewable Energy.

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

## **7 Trade Enquiries**

Following individuals / organizations approached this Consulate for various trade related queries. All of them were appropriately responded.

- |   |                 |                                   |
|---|-----------------|-----------------------------------|
| a | Yamuna Products | Small plastic products            |
| b | HBH Exports     | Herbs, Spices, Coconuts           |
| c | Minna Exports   | Vegetables                        |
| d | Santhi Sezhan   | Handicrafts, Rice, Silk, Garments |



e	Exim International	Natural Stones
f	Fourstar Exports	Handicrafts
g	Kartik International	Handicrafts, Artificial Jewellery
h	Swayambhu Impex	Fruits, vegetables, processed food, Dry fruits, grains, cereals, Agricultural Products, irrigation systems,
l	Genuine Global Exports	Handicrafts, garments & rice
j	Rami Exports	Silicon Paper
k	Al Nida International	Incense Sticks
l	Dobaria Overseas	Wheat Flour & Corn Flour
m	Thalaimalai Exports	Export guidelines
n	ALS Exports	Dry fruits, fruits,
o	Qualitypro Exports & Imports	Spirulina Powder & Capsules

## 8 Visas

During the month this Consulate issued **851** Business and **2786** Tourist visas

Commercial Wing  
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