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 **$43.4 billion** in December, up $1.1 billion from $42.2 billion in November, revised. December exports were **$181.5 billion**, $0.5 billion less than November exports. December imports were **$224.9 billion**, up $0.6 billion from November.

The December increase in the goods and services deficit reflected an increase in the goods deficit of $1.3 billion to $62.5 billion and an increase in the services surplus of $0.1 billion to $19.2 billion.

For 2015, the goods and services deficit was $531.5 billion, up $23.2 billion or 4.6 percent from 2014. Exports were $2,230.3 billion, down $112.9 billion or 4.8 percent. Imports were $2,761.8 billion, down $89.7 billion or 3.1 percent.

**Annual Summary for 2015**

For 2015, the goods and services deficit was $531.5 billion, up $23.2 billion from $508.3 billion in 2014. Exports were $2,230.3 billion in 2015, down $112.9 billion from 2014. Imports were $2,761.8 billion in 2015, down $89.7 billion from 2014.

The 2015 increase in the goods and services deficit reflected an increase in the goods deficit of $17.5 billion or 2.4 percent to $758.9 billion and a decrease in the services surplus of $5.7 billion or 2.4 percent to $227.4 billion.
As a percentage of U.S. gross domestic product, the goods and services deficit was 3.0 percent in 2015, up from 2.9 percent in 2014.

### U.S. International Trade in Goods and Services
(Billions of Dollars)

![Bar chart showing U.S. international trade in goods and services from 2011 to 2015 with the 2015 trade balance highlighted as -$531.5 Billion.]

2 Indian companies, markets to bear the brunt of China slowdown

A sense of deja vu has gripped the world markets following the China crash. It was January 2008 when the impact of the subprime crisis in the US housing sector was felt across the world, sending markets into a tailspin. Eight years on, the global market finds itself in a similar situation. This time, however, the epicentre is China, the world's second largest economy. The reason for the current crash is the weakness in the Chinese economy, which for nearly 25 years grew at an average yearly rate of 10.5%. Here are some issues related to the Chinese market crash and its impact on India:

**Yuan devaluation** In an attempt to protect its economy and maintain competitiveness of its products across the globe, the Chinese central bank has been devaluing yuan, its currency (also called Renminbi or RMB). In effect this make Chinese products more cheaper in the
global markets. This means Indian products competing with Chinese products in the global markets will feel bigger price competition.

**Falling demand for metal** China is the biggest consumer of metals and also one of the largest producers of finished metal products like steel and copper wire, etc. A weak Chinese economy is leading to lower demand for metals across the world, which is affecting metal ore exporters from India. On the other hand, a lower domestic demand has prompted Chinese producers to cut prices of metal products in the exports market. This is hurting Indian metal producers in the exports market. Chinese producers are also flooding their low-priced products into India adversely impacting producers here.

**Falling demand for crude oil** China and India are the largest importers of crude oil. Falling demand for crude in China is good for India as a whole, but bad for those companies which are in exploration and also exports of refined petro-products.

**Jittery foreign investors** A large number of foreign players invest in BRICS (Brazil, Russia, India, China and South Africa). India has also been clubbed in the emerging market group along with countries like Indonesia and Turkey. Since troubles in China are prompting foreign investors to look for safer havens, some of them are selling out of the Indian markets. Fundamentally though the Indian economy is in a much stronger situation than most other emerging markets and China, say experts.

3 **Internet streaming co Netflix logs on to India**

American internet streaming giant Netflix announced an entry into India on Wednesday, looking to cash in on the rapidly-improving internet speeds and the fast-expanding online presence. The entry of the company, whose popular shows include "Unbreakable Kimmy Schmidt", "Daredevil" and "Narcos", also comes at a time when high-speed 4G networks are coming up and prices of 4G mobile devices have been falling. "It's the birth of a global TV network. We are moving as quickly as we can to have global availability of all the content on Netflix," Netflix CEO Reed Hastings said at the Consumer Electronics Show (CES) on Wednesday morning.
The company provides on-demand TV shows and movies through the internet, and announced prices starting from Rs 500 per month for the Indian market. It also announced higher-tier packages which include a Rs 650 package for High Definition (HD) content that can be watched on two separate devices. The top-end Rs 800 package is for 4K content that allows four concurrent streams.

The company is expected to get sizeable numbers in metros and bigger towns where the internet services, including broadband, are faster and there is a traction for high-quality programming content from the western world. However, to make any significant dent into the DTH and cable business, the company will need to add vernacular content while also making its services cheaper. DTH and cable prices hover around Rs 200 monthly. Netflix's entry into India has already been preceded by some smaller rivals. In May last year, Hooq, a joint venture between SingTel, Sony Pictures Television and Warner Bros, launched a video-on-demand service, offering a 15,000-strong catalogue of foreign and local movies and programmes.

Internet content providers are betting on the rising data consumption over mobile phones in India, which is being fuelled by low internet charges. Operators such as Bharti Airtel, Vodafone and Idea Cellular are already offering 4G services at the cost of 3G network, and the competition will only get stiffer once Mukesh Ambani’s Reliance Jio Infocomm starts services around March next year. Netflix currently has over 70 million members in 60 countries who subscribe to more than 125 million hours of TV shows and movies per day, including original series, documentaries and feature films.

India, Nigeria, Russia and Saudi Arabia were among the major countries where the service was launched, Hastings said during his speech at CES as the video-streaming service went live in more than 130 countries. However, a notable exception to the expansion was China, where regulatory hurdles have slowed the entry process.

"We're moving as quickly as we can to have global availability of all the content on Netflix," Hastings said, adding that it is still exploring options for providing its service in China. The overseas push by Netflix also comes at a time when the company faces slower growth in the United States.
Amazon.com, Inc. Is Making Headway in India

Amazon.com announced in December that it was investing in the India-based start-up company Housejoy, taking the lead in a $22 million investment round designed to expand the young company’s presence on the South Asian subcontinent. The investment is small for a company like Amazon, but it's just one part of a multibillion-dollar plan to compete in India's burgeoning consumer market.

Amazon's revenue in North America was 81% greater than its combined revenues from the rest of the world in the third quarter of last year. But given the size of the opportunities abroad, this is bound to change. CEO Jeff Bezos said last year that its retail sales in India were poised to pass $1 billion in record time. Amazon saw huge potential in India and has committed billions of dollars to grow its presence there. At this rate, revenue from the country could one day meet or even exceed that from North America.

The specifics of the Housejoy investment are intriguing. The start-up "offers in-house computer repairs, beauty treatments, bridal services, maintenance and home repairs to Indian consumers," explained a recent Fortune article.

This product offering may seem like it falls out of Amazon's area of expertise -- online retail -- but it fits perfectly into the company's broader strategy. Amazon is a company built around a broad mission statement, which allows it to expand and evolve in ways that a company with a narrower focus can't. "Our vision is to be Earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online," boasts Amazon's mission statement.

It once seemed crazy to order books online, but that changed. Next came online sales of household products, clothes, electronics, and nearly every other physical product under the sun. Consumers then began streaming television shows and movies, storing pictures on Amazon's Cloud, and selling their goods through the company's online marketplace. Now people want to buy offline services online, and Amazon's investment in Housejoy is a testament to how big this online-to-offline (O2O) market could be in India. Clicking and ordering beauty treatments or home repairs could eventually seem as normal as buying
groceries from Fresh Direct, or ordering dinner on Seamless (both areas Amazon operates in as well).

Chinese search giant Baidu, while focusing primarily on the Chinese O2O market, has recently made inroads into India as well. Suffice it to say that when big players like these find an opportunity to be compelling, it often is. India is on pace to become the world's most populous country by 2022 and has less than 20% Internet penetration. Population growth and an increasing number of Internet users will provide opportunities for a lot of winners in the Indian O2O space, and betting against Amazon and Jeff Bezos when he has his sights set on something has not proven to be a winning formula in the past.

5 China's financial turmoil won't disrupt California's economy

Turmoil in China's financial markets has sent global stocks into a tailspin for the first week of the year, adding to months of concern that weakness in the world's second-largest economy could trigger a ripple effect globally.

Signs of a slowdown are already showing up in the United States, with a number of businesses across California — a major hub for Pacific Rim trade and investment — starting to feel the squeeze.

Sales of dried fruits and nuts for next month's Chinese New Year have barely gotten off the ground. Tech giants such as Apple Inc. have been jolted by news of the instability. The most recent trade numbers show California's fall exports to China declined 12.1% from a year earlier.

Despite those disappointments, experts said slowing demand in China isn't enough to disrupt California's $2.3-trillion economy. Exports to China represent only about 1% of U.S. gross domestic product, for instance, and panic overseas could actually spark more investment in California's attractive real estate markets. The bigger risk to the U.S. and California economies would come if volatility in China continued to roil U.S. and global financial markets over an extended period of time, destabilizing the broader economy.
"The Chinese really depend much more on America than we depend on the Chinese," said William Yu, an economist with the UCLA Anderson Forecast who has studied the intersection of the California and Chinese economies. "The good side of this is that we don't rely on exports much. We never have. The backbone of our economy is the American consumer."

One sign of the continued strength of American buyers is the healthy flow of imports through the ports of Los Angeles and Long Beach, which handle much of the U.S. trade with China. Despite a partial shutdown of West Coast ports during a contract dispute early last year, import traffic at the two Southern California ports last year was down only slightly from 2014.

In that sense, manufacturers in China will be relying even more heavily on exports to the United States and other parts of the world as homegrown demand could fade. Tech firms, for example, bank on Chinese growth to offset stagnant sales in the West.

Apple is set to double its Chinese stores to 40 this year, one of the reasons analysts think China will become the tech giant's biggest market as soon as 2017. But recent reports of diminished iPhone orders from Chinese suppliers underscore the risk Apple faces. The company's shares have plunged twice in the last six months, both times because of woeful Chinese economic news.

Other Golden State firms including Cisco Systems, Intel Corp. and Qualcomm Inc. have ventures in China, a country whose size offers breathtaking opportunity. Start-ups also face risks if volatility in China's markets continues to spill over into the U.S. financial system.

Seeking to capitalize on rapid growth in tech, Fidelity Investments, BlackRock and other mutual and hedge funds have feverishly bankrolled the rise of Uber Technologies, Snapchat and dozens more start-ups. But venture capitalists are concerned that pace could dwindle if investors focus on more surefire bets such as bonds or other fixed-income investments.

On the other hand, U.S. tech service companies such as Airbnb and Uber might actually fare better in a downward-moving Chinese economy, said Hans Tung, managing partner at
venture capital firm GGV Capital. Tung, who flies to China monthly from Silicon Valley, said economic jitters will spur increased cautiousness, giving an edge to merchants that provide affordable alternatives.

Airbnb, which received funding from GGV, provides Chinese travelers a cheaper alternative to hotel rooms. And Uber is winning over consumers by using $1 billion in investment cash to price fares below local competitors in China.

Indeed for some firms, the slowdown abroad was a major reason to build up their businesses in the United States.

Tourism and entertainment, two major California industries that have thrived amid growing Chinese consumers, haven't yet seen signs of a slowdown. The average number of monthly passengers arriving at Los Angeles International Airport on China's three major airlines increased 8% in 2015 over the previous year.

But California exporters of agricultural goods haven't fared as well. At Meridian Growers, a Clovis company that grows and sells nuts and dried fruit, sales to China were down nearly 60% last year from 2014.

Jim Zion, Meridian's managing partner, said buyers in China seem wary of taking on too much inventory, even ahead of the Chinese New Year, when nuts are a popular gift. The company typically sees a spike in sales in October and November as retailers prepare for the celebration.

6  Starbucks' Teavana to debut in India

MUMBAI: Starbucks, the world's biggest coffee-chain operator, will bring its specialty tea brand Teavana to India this year, said its chairman and CEO Howard Schultz. Starbucks acquired Teavana for $620 million in 2012. Tea is a $100-billion category, bigger than coffee. We want to create a global footprint for Teavana," said the 63-year-old billionaire entrepreneur. There are 350 Teavana outlets in North America and the first store was opened in Atlanta, Georgia in 1997. Schultz didn't elaborate whether Starbucks will go solo or team up with the Tata Group, its joint venture partner for cafes in the country.
A Tata executive said the two partners are in discussions on the Teavana business opportunity. In the first phase, the Teavana range of teas will be introduced at the 79 Starbucks outlets in India and the second phase will see standalone Teavana stores. A few years ago, Tata Group company, Tata Global Beverages, had opened Chai Unchai bars but later exited the segment. A Teavana brew that will hit Starbucks here soon will be the Oprah Chai, which has been created in collaboration with media mogul Oprah Winfrey, who developed a taste for masala-infused teas after a trip to India.

The Seattle-based java giant is raising its bet on Asia’s third-largest economy relying on wealthy and middle-class customers and is planning to expand its store network in India. "Starbucks will have a major business in India and the number of stores here will rival many of the large markets we have around the world," said Schultz at the Tata Group's leadership forum.

Schultz said that Starbucks will build a significant business through other channels like e-commerce and mobile payment. "We will bring to India our resources and learnings around the digital and mobile ecosystem that we have in America," said Schultz.

7 Trade delegations

No trade delegation visited India from the jurisdiction of this Consulate during the month. Mr. Jiji Thomson, Chief Secretary, Kerala Tourism visited Palo Alto, California to participate in a tourism Road Show from Jan. 11-15, 2016. The event was well attended and officials from India Tourism office in Los Angeles also participated in it.

8 Trade enquiries

The following organization/individuals approached this Consulate for various trade related enquiries. All of them were suitably responded.

1 Metro Exporters Pvt. Ltd., Mombai Bicycle & Parts
2 Mr. Dipen Vora Cookies
<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Mr. Saket Agarwal, Kolkata</td>
<td>Jute/cotton/canvas bags</td>
</tr>
<tr>
<td>4</td>
<td>Sant Overseas, New Delhi</td>
<td>Electronic Products</td>
</tr>
<tr>
<td>5</td>
<td>SVV Exports, Madurai</td>
<td>Spices</td>
</tr>
<tr>
<td>6</td>
<td>C.K. International, Ahmedabad</td>
<td>Tobacco products</td>
</tr>
<tr>
<td>7</td>
<td>Nalam Exports, Chennai</td>
<td>Organic Vegetables</td>
</tr>
<tr>
<td>8</td>
<td>Anu Nature Exports, Coimbatore</td>
<td>Areca Leaf plates</td>
</tr>
<tr>
<td>9</td>
<td>Raj Burhani Textie Exports, Gujrat</td>
<td>Cotton dress &amp; material</td>
</tr>
<tr>
<td>10</td>
<td>Ajilam Marketing, Madurai</td>
<td>Neem products, Essential oils, Nighties, non woven bags</td>
</tr>
<tr>
<td>11</td>
<td>Speed 4 Prefab. Mumbai</td>
<td>Prefabricated Modular Structures</td>
</tr>
<tr>
<td>12</td>
<td>Right International. India</td>
<td>Pharmaceutical &amp; Surgical equipment</td>
</tr>
</tbody>
</table>

**Visas Issued**

During the month this Consulate issued **936 Business & 3696 Tourist visas.**

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