CONSULATE GENERAL OF INDIA
SAN FRANCISCO

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Important Commercial News – September 2014

1   U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced today that total August exports of **$198.5 billion** and imports of **$238.6 billion** resulted in a goods and services deficit of **$40.1 billion**, down from $40.3 billion in July, revised. August exports were $0.4 billion more than July exports of $198.0 billion. August imports were $0.2 billion more than July imports of $238.3 billion.

In August, the goods deficit increased $0.1 billion from July to $59.9 billion, and the services surplus increased $0.3 billion from July to $19.8 billion. Exports of goods increased $0.1 billion to $138.8 billion, and imports of goods increased $0.1 billion to $198.7 billion. Exports of services increased $0.4 billion to $59.6 billion, and imports of services increased $0.1 billion to $39.9 billion.

The goods and services deficit increased $0.6 billion from August 2013 to August 2014. Exports were up $7.9 billion, or 4.1 percent, and imports were up $8.4 billion, or 3.7 percent.

The July to August increase in exports of goods reflected increases in *capital goods* ($1.0 billion); *consumer goods* ($0.8 billion); *industrial supplies and materials* ($0.7 billion); and *other goods* ($0.4 billion). Decreases occurred in *automotive vehicles, parts, and engines* ($1.7 billion) and *foods, feeds, and beverages* ($0.6 billion).

2   U.S. trade in goods with India

Month	Exports	Imports	Balance
January 2014	1,582.4	3,675.4	-2,093.0
February 2014	1,366.9	3,043.0	-1,676.1
March 2014	1,714.2	3,882.2	-2,168.0
April 2014	1,401.1	4,457.9	-3,056.8
May 2014	1,736.8	4,102.3	-2,365.5
June 2014	1,907.5	3,231.7	-1,324.3
July 2014	1,855.9	3,918.3	-2,062.4
August 2014	**1,920.1**	**3,859.7**	**-1,939.6**
TOTAL 2014	**13,485.0**	**30,170.6**	**-16,685.5**
August 2013	**2,068.8**	**3,615.6**	**-1,546.8**

3   IBM now hires more in US than India amid tax, visa worries

Over the past decade, IBM hired frenetically in India, and cut jobs in the US in an effort to be cost competitive with Indian IT services providers. Now, the Big Blue appears to be changing track, goaded perhaps by the Obama administration's social and tax pressures, and the US work visa restrictions. However, other global IT services companies like Ireland-registered Accenture and France-based Capgemini are continuing to keep their hiring focus on India.

IBM's 'Jobs at IBM' website currently lists about 6,750 jobs, of which nearly a third, 2,150, are in the US. India follows way behind at a little over 700, and China is third with about 650. More striking are the entry level positions. Of the total of 446 entry level positions open as on September 2, as many as 172, or nearly 40%, are in the US. In India, there are a mere five.

US tech entrepreneur and academic Vivek Wadhwa said he would not know %if the IBM hiring trends were accurate, but said it would not surprise him. "IBM, like

other US companies, is surely under pressure from nativists to hire more Americans. The noise is only getting louder. But it may be that IBM is trying to balance its growth and that is what is behind such a strategy," he said.

The years of frenzied hiring has resulted in India now accounting for over a third of IBM's 4.3 lakh employees (these are estimates, given that IBM has stopped disclosing its headcount by geography). In the US, the number has dropped from a peak of 1.53 lakh in 2000, to an estimated 88,000 now. B S Murthy, CEO of executive search firm Leadership Capital, said IBM in India could now be depending more on contract staffing, rather than have them on rolls. Contract staffing involves bringing people in for short periods from other IT services providers for specified projects. IBM's rivals Accenture and Capgemini, however, are hiring in India far more than elsewhere. The Accenture website lists 10,700 jobs for India, ten times more than in the US, the next highest.

4 India's Mahindra studying US entry for Ssangyong auto unit

Mahindra and Mahindra Ltd (MAHM.NS), India's largest utility vehicle maker, is conducting early-stage studies on selling cars in the United States made by its wholly owned South Korean unit Ssangyong Motor Co (003620.KS), a senior executive said.

"Right now what we are doing is very early feasibility study of which products will make sense for the U.S., what will it take to make those products work, whether it will be financially viable to launch in the U.S.," Pawan Goenka, president of Mahindra's automotive and farm equipment sectors told Reuters in an interview . Goenka did not say when the feasibility study, which started four to six months ago, is expected to be completed. He said that the company will look at having multiple Ssangyong products available in the United States.

"Once we have the board approve the U.S. project, then we will have to start the work," the executive said. It would take at least two to two and a half years after board approval before any U.S. products could be launched, he said. Under Mahindra's ownership, Ssangyong is investing nearly $1 billion on its product

lineup as part of a strategic plan to break into the United States and Asian markets including China.

Ssangyong aims to use new models to position the South Korean brand as a value-for-money sports utility vehicle supplier, knowledgeable people close to the company say. It will target the U.S. market where Ssangyong never sold cars on its own previously. The South Korean firm has also held talks with local Chinese automakers and other industry concerns in China to possibly begin production of Ssangyong cars in mainland China, the world's biggest auto market, they say.

"We have not made any firm plans but eventually manufacturing in China, once we get to a certain level in volume, would be something we will be looking at," Goenka said. Ssangyong could set up a manufacturing plant in China if sales there rise to 50,000 vehicles a year, the brand's sole China agent Pang Da Automobile Trade Co Ltd said earlier this month.

Foreign automakers that want to manufacture in China must take on a local partner under the country's regulations. Pang Da does not have a manufacturing license, but would be willing to invest in any Ssangyong joint venture, Pang Da officials have said.

This year, Ssangyong, which was acquired by Mahindra in 2011, expects sales of 20,000 vehicles in China, a more than three-fold jump from the 6,300 vehicles it sold a year ago.

In India, Mahindra plans to roll out two compact utility vehicles and a commercial vehicle in 2015 to try to regain lost customers. Its share of the utility vehicle market fell to 42 percent in 2013-14 from nearly 48 percent a year earlier.

"Right now we are sort of at the bottom of the cycle. Once we start launching we will start picking up again," Goenka said, adding the company is confident it will "undoubtedly" be able to claw back some of its lost market share after the new product launches.

5   Visa to set up technology centre in India next year

Visa, the global payments technology company, has said it will establish a

technology centre in India next year, joining a host of global financial system players who have established technology centers in the country to take advantage of its software and engineering talent. Sources said the centre will be in Bangalore.

Visa said it will hire 2,000 technologists globally, including conversion of contractor positions to full time positions within the company. The company did not say how many of these will be in India, but sources said the majority would likely be here.

Citibank, HSBC, Stanchart, Deutsche Bank, Goldman Sachs and Fidelity are among those who already have technology and back office support centers in India. For many of them, these centers are their biggest operations outside their headquarters. Goldman Sachs, which has a 5,400-people centre in Bangalore, said on Wednesday that it was establishing a new campus at a cost of $200 million (Rs 1,200 crore). The captive centers are being used partly to develop proprietary technologies that can differentiate them from competition.

The $10-billion Visa, best known for its credit and debit cards, said its positions will be a combination of new roles and existing contractor positions that are being converted to full-time positions. "The combination of these initiatives will help accelerate the shift to electronic payments and drive innovation in mobile and digital platforms," a company release said.

Uttam Nayak, Visa's group country manager India and South Asia, said: "India is known around the world as a hub for technology-led innovation. Visa's decision to open a new technology development centre here further demonstrates our commitment to the region and presents us with an exciting opportunity to grow our internal team from the strong pool of local software engineering talent."

Teams in the new technology development centre will focus primarily on the development of key application programming interfaces (APIs) and software

development kits (SDKs) helping an expanding group of global partners to more easily access VisaNet when creating new commerce and payment experiences, Visa said.

Rajat Taneja, Visa's executive vice president of technology, said Visa's size and scale allows technologists to work on meaningful initiatives that have the ability to change how commerce is conducted for millions of consumers and companies globally. "We are looking for creative, entrepreneurial tech professionals who want to build the next generation of payment products and platforms, will bring engineering insights to our global processing network, and are passionate about partnering with technology and commerce leaders shaping the payments experience," he said.

Visa said it is also bolstering its technology talent in Austin, Texas and the San Francisco Bay area, and will focus some of the 2,000 positions in support of its two data centres in Ashburn, Virginia, and Denver, Colorado.

6   Starbucks to debut in towns and suburbs; to half the size of the new stores

Starbucks' new stores in India will be less than half the average size of its existing cafes as the world's largest coffee chain plans to expand into Indian towns and city suburbs while maintaining its profitability.

Tata Starbucks, a 50-50 joint venture between US cafe chain Starbucks Coffee Company and Tata Global Beverages, will open outlets of 1,000-1,200 sq ft compared to its existing cafes that measures over 2,500 sq ft on an average, said an official who requested not to be named
.
"Footfalls in smaller towns and suburbs may not be as high as prime locations and we have to maintain profitability too by keeping rentals in check," the person said. While the company didn't comment on expansion details, a Tata Starbucks

spokesperson said it has followed a thoughtful and disciplined approach to grow in the market. "Establishing a successful business takes time, and the parent

companies are delighted with how the brand has been received in this market," the spokesperson added.

The first store Starbucks opened in India was its 3,500 sq ft flagship in Mumbai in October 2012, and since then it has opened more than 50 cafes at The first store Starbucks opened in India was its 3,500 sq ft flagship in Mumbai in October 2012, and since then it has opened more than 50 cafes at an average speed of one outlet every two weeks, making India Starbucks' fastest growing market in terms of expansion

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According to sources, Starbucks plans to close this financial year with 90 doors. Ruchi Sally, director at boutique retail consultancy Elargir Solutions, said it makes sense for Starbucks to reduce its store size as it expands to less upmarket locations. "The locations where Starbucks is planning to open cafes won't attract very high income group consumers compared to marquee areas where initial stores were set up," she said. "So an aggressive expansion without impacting bottom line should be through tailoring their store size according to income demographic which they are doing now."

Starbucks has made an impressive start in India, racing ahead of existing coffee retailers in per-store sales in its first financial year ended March 2013. And last month, it proposed to increase its authorised capital by Rs 130 crore that will include issuing shares worth Rs 80 crore to its existing shareholders.

7   Cisco displays smart city concept

How do you fancy living in a city where everything from the streetlights to the water pipes to parking space and waste management will be monitored and controlled by the click of a mouse? Cisco on Tuesday showcased such smart city concepts which it said could go into building the 100 smart cities that Prime Minister Narendra Modi envisions. Smart cities will need smart networks into which everything is hooked. Cisco showcased technological solutions using sensors and the internet to solve a range of city problems, from water leaks and air pollution to traffic congestion and the garbage crisis. Sensors, it said, would

be present on every building, lamppost, garbage bin and water pipe in the city that would then help in monitoring and controlling them.

A parking system with sensors and cameras could help to monitor the number of vehicles parked in a given lot, and indicate empty spaces available for parking. Using a mobile phone app, users can check for availability of parking slots or even pre-book parking slots in, say, malls and multiplexes. Cisco developed many of these smart city technologies in its India facility and has used them in its massive, 2 million sq ft campus in Bangalore.

"We believe that the Cisco Smart City in Bangalore can be a model for smart cities not just in India but around the world. For government leaders thinking about the delivery of citizen services or for companies thinking about how to be ready for the future of work, the Cisco Smart City presents a blueprint on how to be relevant," Wim Elfrink, Cisco chief globalization officer, said Cisco also showcased use of high definition video and networking that allows for direct bi-directional interaction between teachers and students. This has relevance for improving education at rural locations where there is a shortage of qualified instructors and subject matter experts. Similarly, a health kiosk enhances delivery of medical care at a distance between patients, clinicians, and specialists.

8   eBay Opportunity Hack to be held in Chennai, Bangalore

eBay Inc will organize 'Opportunity Hack,' a hackathon that brings together software developers and domain experts in the field of social media, mobile and data technology, in support of nonprofits to create impactful solutions for their technology problems. The 36-hour, open-format event will be held at PayPal's Development Centre in Chennai on October 11 and 12 and at eBay Inc's Bangalore Development Centre on November 8 and 9, a statement from the company said.

The hack session encourages a team of up to six hackers — a combination of eBay and PayPal employees, external developers and representatives from nonprofit organizations — to focus on solving real challenges faced by nonprofits and building solutions they aspire to. These could include writing programs for a

website, devising a social media campaign plan and building internal applications for day-to-day use, besides solving common tech problems, the statement said.

The overall goal will be to connect employees and other developers, collaborate with organizations and create solutions that have a positive impact. Participants will also construct a prototype of a solution for marketing, data analysis needs and technical needs.

"At eBay Inc, we apply technology to simplify things. Most organizations today have at least one challenge or need that can be solved with a technology solution. Through the Opportunity Hack, we are providing a platform for volunteers to solve tech problems and help organizations that are doing great work in the community," Anupam Pahuja, General Manager, PayPal Technology, Asia-Pacific, said.

"The Opportunity Hack enables and empowers nonprofit organizations with technology. It is a perfect opportunity for the people of eBay Inc to collaborate with the nonprofits and build solutions that really matter to the community. This unique concept helps hackers get to the root of the problem and provide impactful and innovative resolutions," Ram Narayanan, General Manager, eBay Product Development Centre, India, said. The first Opportunity Hack took place in San Jose, California, in October 2013 and was created by a cross-functional team at eBay. About 80 employees and external developers joined 20 representatives from nonprofit organizations to pitch a total of 24 ideas, 20 of which were built and demoed, the statement said.

9   eBay to invest in companies, tie up with retailers for growth

Online shopping giant eBay plans to grow further in India through investment in other Internet companies, partnerships with retailers, and commercial tie-ups with firms it has invested in.

While its competitors focus on exclusive online sales tie-ups with brands, eBay, the oldest e-commerce player in the country, is focusing on partnering with retailers to enhance their online reach. Besides this, eBay has already invested

in e-commerce companies such as Snapdeal and Quikr. It is looking at investing in Internet companies and collaborating with them as another avenue of growth.

Latif Nathani, managing director, eBay India, said the company has signed a commercial agreement with Snapdeal for complementary sales or sharing each other's supply and is exploring other areas of co-operation. About acquisitions, he said: "Since India is a strategic market, we may think of something in the future. We are an acquisition-friendly company. We look at interesting technology companies."

Amid the din of the high-decibel tri-cornered e-commerce war among Flipkart, Snapdeal and Amazon, the presence of eBay, despite being the longest surviving player, seems quiet. However, Nathani dismissed such suggestions.

"The e-commerce market in India grows at 55-60%. We are growing faster than that," Nathani said. However, he did not share details about eBay's sales volume in India. "India is an extremely important market for us. It is a long-term market and we are here to build a long-term healthy profitable business."

About being less visible compared to its aggressive competitors, Nathani said: "We are a publicly-listed company in the US. We are not looking for any kind of event like an IPO (initial public offer) or acquisition."

"We do not have warehouses and do not operate logistics. Ours is a partnership centric model and we believe in our model," he said. More than 90% of eBay's 50,000 sellers in India are retailers including major ones like Tata Croma, Gitanjali, Next Retail, and The Electronic Store.

10   Trade Delegation

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

The following delegations visited the jurisdiction of this Consulate during the month.

a   Mr. B.K.S. Rathore & Mr. S.R. Nijalingappa of DGCA visited Arizona from Sept. 09-14, 2014.

11 Trade enquiries:

The following persons / organizations approached this Consulate for various enquires to promote their businesses. All of them were replied appropriately.

a   Mr. Amit Girme, California

b   ACJ Leather, Coimbatore

c   Vairakireedam Modren Rice Mill, Tamil Nadu

d   The United Export Agents, Coimbatore

e   Eighteen Advertising, India

f   Prem Marbles, Udaipur

g   Motherstar Overseas, Delhi

h   Capital Ventures Pvt. Ltd., Delhi

i   BNC International, Ahemdabad

j   MRK Healthcare Pvt. Ltd, Mumbai

k   VEL Exports, Tamil Nadu

l   H&R International, Gujrat

m   Drugs Total, India

n   Ms Monica Battu, Mumbai

o   KK Intex, Tamil Nadu

p   KGS Exports, Tamil Nadu

q   Virasat, Jodhpur

12 Visa

During the month of Sept. **1506** Tourist visa and **6512** Business visas were issued from this Post.

Purshottam Bhatnagar
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