

June 29, 2011

The Honorable Manmohan Singh
Prime Minister of India
South Block
New Delhi, 110001

Dear Prime Minister Singh:

The undersigned international trade associations, representing thousands of global companies investing in India, wish to express our serious concerns with new draft proposals regarding procurement preferences for electronic products recently formulated by the Planning Commission. These proposals, which are currently under review by the Government of India, would require that a percentage of all electronic procurements by the Government be reserved for domestic manufacturing. We recognize India's desire to encourage domestic manufacturing and foster innovation in the Information and Communications Technology (ICT) sector. Indeed, our member companies are committed to working with the Indian Government and private sector to advance innovation, manufacturing growth, and job creation in the ICT sector.

We are concerned, however, that this proposed approach encourages domestic manufacturing and innovation through specific and deliberate discriminatory and trade-restrictive policies. It also comes on the heels of a report by the Telecom Regulatory Authority of India (TRAI) recommending similar discriminatory policies against foreign companies in favor of Indian companies in order to strengthen domestic telecommunications manufacturing.

These policies constitute a troubling shift in the Government's approach to economic development and Foreign Direct Investment (FDI) in the ICT sector. We strongly believe that adopting such an approach will have the opposite effect and will force multi-national companies to look elsewhere for investment and manufacturing opportunities. These types of policies will undermine the country's ability to innovate, will impose discriminatory and unrealistic requirements on companies seeking to sell to the Indian Government, will increase the Indian government's own costs by restricting procurement options, and will violate critical commitments that the Government of India has made to resist trade and investment protectionism. For example, forcing central government licensees, including private sector telecommunications service providers, to procure Indian Electronic Products or Electronic Products Manufactured in India is a clear violation of Article III of the General Agreement on Tariffs and Trade.

Most importantly, these policies fail to recognize the global nature of the ICT supply chain. The electronics and information technology industry relies on a global supply chain and no one country is in a position to provide the vast majority of the intellectual property included in critical products. The ICT industry is so dynamic and innovative precisely because leading companies are able to source from the best suppliers around the world, regardless of country of origin. Over the past two decades, India has benefited enormously from this diffuse and global supply chain, as reflected by the phenomenal growth of the IT and Business Process Outsourcing industries.

These policies come at a critical time for India. The past six months have witnessed a significant drop in FDI into the country. At this time of fierce competition for global investment, India can ill-afford discriminatory policies that will drive away foreign companies.

We therefore urge your Government to not implement any policies that seek to encourage manufacturing through discrimination or by forcing local content in government procurements. Our members stand ready to work with your government to develop policies that will encourage investment, innovation and job creation for all of India's citizens without undermining FDI or creating other problems for the country.

