

April 4, 2012

The Honorable Prime Minister Manmohan Singh
South Block
Raisina Hill
New Delhi - 110011

Dear Prime Minister:

The undersigned international trade associations, representing thousands of global companies, wish to express our serious concerns with new Preferential Market Access (PMA) rules issued by the Indian Department of Information Technology. The new rules would provide procurement preference to domestically manufactured electronic goods “due to security considerations and in Government procurement.” While we are concerned overall with any rules providing preferences in government procurement, we are particularly worried that these rules could apply to private entities, including “government licensees” and “managed service providers.” If the PMA applies to private entities, this would represent an unprecedented interference in the procurements of commercial entities and would be inconsistent with India’s WTO obligations. We urge the Government of India to rescind this PMA entirely and initiate a consultation process with the private sector and other stakeholders to more effectively address India’s security and economic concerns.

We urge the Government of India to carefully consider how these rules could reduce the productivity and competitiveness of the affected sector and their customers, potentially harming a large segment of the Indian economy, particularly the information and communications technology (ICT) and business process outsourcing (BPO) sectors. Indian industry has demonstrated its capacity to compete on a global scale through its growing participation and influence in global markets. India should avoid policies that would unnecessarily restrict competition at home which could also spark reciprocation by other countries that enact similar regulations. Such a result could negatively affect the ability of Indian ICT companies to export their products and services. It would be ironic if the rule intended to help Indian industry ultimately hurt its exports abroad.

In addition, the PMA as a whole contradicts India’s stated policy goals of promoting investment in its ICT sector and will only serve to limit the technology choices of the Government of India, increasing the cost of technology purchased by both the Government and private sector entities. Thus, we further urge India to rescind these PMA rules entirely and engage in a public consultation with stakeholders inside and outside India to develop policy approaches that will promote ICT sector growth without creating market-distorting policies that restrict competition and potentially violate international commitments.

Global industry has suggested and supported proposals to the Indian Government for government-to-government as well as industry-to-government discussions on global best practices to promote manufacturing and innovation. Unfortunately, by publishing these rules and also indicating that they could apply to procurements by commercial entities, the Government of India has signaled that it

prefers to seek market distorting policies that reverse the pro-competition policies that have led to the dramatic growth in India's ICT sector. A more effective approach would be to address the issues that are fundamental to creating an environment that facilitates investment and economic growth – e.g. presence of adequate infrastructure, simplified and limited tax regime, consistent and predictable rule of law, etc.

India has exemplified the benefits of competition and regulatory reform as demonstrated by the tremendous growth in the telecommunications and IT services sector over the past fifteen years. We urge India to remain, and push forward, on this path. India's economic growth and ability to continue to be competitive in the global ICT sector depend on it.

Copies to:

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Minister of Communications and Information Technology
Electronics Niketan
Lodhi Road
New Delhi - 110003

The Honorable Anand Sharma
Minister of Commerce and Industry
Udyog Bhawan
New Delhi – 110107

The Honorable SM Krishna
Minister of External Affairs
South Block
New Delhi – 110011

Respectfully:

AMCHAM India



Australian Services Roundtable



**Australian
Services
Roundtable**

Business Software Alliance



Business Europe



Canada-India Business Council



Canadian Services Coalition



Consumer Electronics Association



Communications and Information network Association of Japan



Computing Technology Industry Association



Coalition of Service Industries



Digital Europe



European-American Business Council



Emergency Committee for American Trade



European Services Forum



The Federation of Korean Information Industries



Global VSAT Forum



Hong Kong Coalition of Service Industries



Information Technology Association of Canada



Information Technology Industry Council



Korea Information Technology Service Industry Association



Korea Software Enterprise Association



Japan Business Machine and Information System Industries Association



Japan Electronics and Information Technology Industries Association



Japan Information Technology Service Industry Association



Korean Software Industry Association



National Foreign Trade Council



Semiconductor Equipment and Materials International



Semiconductor Industry Association



Software and Information Industry Association



Taipei Computer Association



TechAmerica



Telecommunications Industry Association



U.S. Chamber of Commerce



United States Council for International Business



U.S.-India Business Council

