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India to keep EU, Japan out of govt procurement

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NEW DELHI: India has sent a strong signal to the EU and Japan with which it hopes to conclude free trade agreements (FTAs) this year that it is not likely to entertain requests for opening government procurement. It has successfully kept the issue out its FTA negotiations with Australia, making it clear to others as well that it does not plan to open these sectors.

The joint study group (JSG) report, while taking note of Australia's interest in the area, has mentioned that India does not include the area in any of its bilateral trade deals. "This should be enough to keep the issue out of discussions when the actual negotiations begin," said Ram Upendra Das, senior fellow, Research and Information System for Developing Countries, who is also a member of the JSG that prepared the feasibility report for the pact.

Trade ministers from both countries recently endorsed a JSG feasibility report which stated that both sides could gain from a comprehensive economic cooperation agreement to liberalise trade in goods, services as well as investment. Negotiation on the FTA is expected to begin as soon as the two get the required clearances.

Speaking to ET, a government official pointed out that keeping government procurement out was a significant victory for India as it shows that the country is serious about not giving access to foreign players in the area. "Had we relented and included government procurement in the free trade talks with Australia, others like the EU and Japan would have used it to push their case further in the on-going bilaterals with India," he said.

Developed countries are keen to see India liberalising the sector as government procurement generates business of an estimated \$ 80 billion every year.

Das pointed out that since Australia was a major trading partner, other countries were keenly watching the terms on which India is willing to expand its relations with the country. New Zealand, for instance, has already been demanding that it should get access to all areas that India is prepared to open up for Australia. "Now we can tell them and the others that we are not giving in to Australia's demand in the area of government procurement, so they, too, should not expect anything different," Das said.

India is also not part of the voluntary government procurement agreement (GPA) being negotiated between countries like US, Japan, EU and South Korea at the WTO. It has, however, recently sought observer status which will allow it to monitor the negotiations without being a part of the talks.

The country has not just succeeded in keeping government supplies out of the ambit of the FTA, there is also no mention of any non-trade issues like labour and environment in the JSG report. Australia had tried to convince India to include the issues, but the latter had put its foot down on the ground that there are other organisations like the ILO to settle such matters.