

INDIA RESTRICTS CHINESE COMPANIES FROM PARTICIPATING IN PUBLIC PROCUREMENT BIDS

Relevant for: International Relations | Topic: India - China

India on Thursday night further upped the ante against [China](#) by restricting [bidders](#) from countries with which it shares land border from participating in tenders for government procurement without approval from competent authorities on the ground of defence and national security.

It however exempted such countries to which India provides lines of credit or developmental assistance, thus effectively confining the restrictions to China and Pakistan. Relaxation has been provided in certain limited cases, including for procurement of medical supplies for containment of covid-19 global pandemic till 31 December 2020.

While private sector has been exempted from any such restriction, the order takes into its ambit all public sector banks and financial institutions, autonomous bodies, Central Public Sector Enterprises (CPSEs) and Public Private Partnership projects receiving financial support from the government or its undertakings.

"The Government of India today amended the General Financial Rules 2017 to enable imposition of restrictions on bidders from countries which share a land border with India on grounds of defence of India, or matters directly or indirectly related thereto including national security," finance ministry said in a statement.

According to the order, any bidder from such countries sharing a land border with India will be eligible to bid in any procurement whether of goods, services (including consultancy services and non-consultancy services) or works (including turnkey projects) only if the bidder is registered with a registration committee to be constituted by the Department for Promotion of Industry and Internal Trade (DPIIT). Political and security clearance from the Ministries of External and Home Affairs respectively will also be mandatory.

Finance ministry said the fresh provisions will apply to all new tenders. "In respect of tenders already invited, if the first stage of evaluation of qualifications has not been completed, bidders who are not registered under the new Order will be treated as not qualified. If this stage has been crossed, ordinarily the tenders will be cancelled and the process started de novo," it added.

Chinese imports and investments have been facing intense scrutiny in India after a tense border standoff that left 20 Indian soldiers and an unspecified number of Chinese troops dead. India is aiming at limiting trade links with China as part of policy to cut dependence on the country. The DPIIT in April notified changes in its foreign direct investment (FDI) policy by mandating government clearance for all FDI inflows from countries with whom it shares land borders.

India has cancelled railway and road tenders secured by Chinese companies and has barred 59 Chinese apps, including TikTok, on national security grounds. Prime Minister Narendra Modi has said India needs to end its dependence on import of solar panels, which are mostly sourced from China. Earlier this month, power minister R.K. Singh announced India will not allow import of power equipment from China and Pakistan because of cybersecurity threats.

The centre has written to state governments invoking the provisions of Article 257(1) of the

Constitution of India for the implementation of the order in procurement by state governments and state undertakings etc. "For State Government procurement, the Competent Authority will be constituted by the states but political and security clearance will remain necessary," the finance ministry statement said.

Article 257 (1) of the Indian constitution says: "The executive power of every State shall be so exercised as not to impede or prejudice the exercise of the executive power of the Union, and the executive power of the Union shall extend to the giving of such directions to a State as may appear to the Government of India to be necessary for that purpose."

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