

EU-INDIA JOINT INITIATIVE FOR ENHANCING TRADE AND INVESTMENT

JOINT RECOMMENDATIONS

TELECOMMUNICATIONS

This text has been drafted with financial assistance from the Asia-Invest programme of the Commission of the European Communities. The views expressed herein are those of the experts appointed by Asia-Invest and do not engage the European Commission or Asia-Invest. They have been endorsed by the Indian business federation CII and transmitted to the European Commission President and the Indian Prime Minister at the EU-India Business Summit, held in New Delhi on November 22-23, 2001.

EU-INDIA JOINT INITIATIVE FOR ENHANCING TRADE AND INVESTMENT

This report is a synthesis of trade and investment recommendations as identified by the team of independent experts and discussed with European and Indian business representatives.

The initial findings have been derived from extensive desk and field research (in Europe and in India) as well as from a large survey to European-invested companies. They were formally submitted to representatives both from the Indian business federations CII and FICCI, and from European business associations or individual companies, at the EU-India Business Forum held in Brussels on October 29, 2001. This Forum provided a venue and an opportunity for an intensive and lively debate on the whole range of issues submitted.

Further reactions and comments were solicited and received, here again both from the Indian and from the European business representatives, through exchanges of notes and the use of the dedicated website.

The consultants have gone at extraordinary lengths to integrate all comments and reactions, to foster a joint approach of the issues, and to highlight the mutually beneficial aspects of the trade and investment recommendations put forward.

After final discussions with European business representatives and the Indian business federations, these recommendations were transmitted to the European Commission President and the Indian Prime Minister at the EU-India Business Summit, held in New Delhi on November 22-23, 2001.

TELECOMMUNICATIONS

<p>➤ How to enable the sector to meet the teledensity target for 2007, which requires massive investment in all segments and to ensure adequate FDI participation</p> <p>Note 1</p>	<ul style="list-style-type: none"> ➤ Need to introduce a cost-based interconnect regime for which the framework will be provided by Telecom Regulatory Authority of India ➤ Bring interconnect charges under the purview of the TRAI, based on tariff- setting guidelines, instead of being unilaterally levied by state operators under interconnect agreements ➤ Clarify the applicability of National Long Distance licensing regulations to ISPs and their impact on Internet service pricing guidelines, given the move to allow Internet long distance telephony from April 2002 ➤ Enact a policy on the application of Universal Service Obligation proceeds
<p>Enacting secondary regulations to support the evolution of the industry structure more efficiently</p>	<ul style="list-style-type: none"> ➤ Enact Model law for local / municipal levels, especially those dealing with right of way and local permissions, to smoothen implementation of roll-out obligations in all states, including those having no right-of-way regulations ➤ In order to allow technological upgradation, segment policies should be technology-neutral, and not specifically prescriptive ➤ Clarify the policy on the introduction of Calling Party Pays (CPP) in the mobile sector ➤ Clarify migration into a new regime in view of implementing convergence

<p>➤ Allowing greater foreign participation to bridge the enormous investment needs in the sector</p>	<p>➤ Exclude Foreign Institutional Investor investments from the overall foreign investment ceilings in telecom services (present sector regulations are silent on FII ceilings)</p> <p>➤ Allow FDI and FII holdings collectively to enable equitable ownership and management control up to 74% or more.</p>
<p>➤ Creating supporting conditions to allow free competition in services</p> <p>Note 2</p>	<p>➤ Resolve spectrum allocation and create need-based licensing of spectrum bandwidth to facilitate the policy of unlimited new entrants in basic services</p> <p>➤ Enact rules on number portability (service migration) to allow free market conditions for fixed line consumers, without taxing new entrants or consumers for moving away from a monopoly service provider</p> <p>➤ In view of convergence bill, there is need to clarify migration into new regime</p> <p>For EU</p> <p>➤ To remove discriminatory value-added tax treatment by member states to off-shore suppliers of telecommunications and online services (i.e. companies not established or with their principal place of business in the EU)</p> <p>Business to Business</p> <p>➤ Need to set up linkages for training telecom professionals in India</p>

Notes:

1. The regulatory authority TRAI is currently finalising new regulations on interconnection. This was not incorporated in the report and recommendations.
2. Because spectrum in telecommunication is never unlimited, operators and regulators should keep in mind that there is never full free competition in telecommunication.