India Relaxes Telecom Import Ban

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MUMBAI, India (AP) -- India has relaxed an eight-month ban on imports of telecommunication equipment, approving orders from China's ZTE and Huawei and Finland's Nokia Siemens Networks, executives said Wednesday, as security fears fade before an urgent need to roll out third-generation wireless infrastructure.

ZTE agreed to tough new security regulations, including handing over proprietary information -- called source code -- used to run networks, regular inspections and large penalties for security breaches, two executives said on condition of anonymity because of the sensitivity of the ongoing discussions.

It was not clear Wednesday whether Huawei and Nokia Siemens Networks, which won a contract this week to build out Tata Teleservices' 3G network, also agreed to the regulations.

U.S. trade groups have worried that Chinese companies are more willing to part with their source code than their U.S. and European competitors, which could effectively squeeze out Western companies -- already battling China's rising telecom giants on price -- from India's booming market.

Talks between Indian government and corporate officials over the security rules are ongoing.

India's Department of Telecommunications in July laid down strict security regulations on imports, prompting an outcry from equipment makers and trade groups, who feared they would set a harsh global precedent and scuttle billions of dollars worth of contracts for companies like Ericsson and Cisco.

Under the rules -- which were believed to have been prompted by fears that Chinese companies would use their networks for spying -- foreign equipment makers must allow regular security inspections, hire Indian engineers and make their network design and source code available to the Indian government.

In the event of a security breach, operators would face a penalty of 500 million rupees ($10.8 million) plus 100 percent of the value of the contract -- which often totals several hundred million dollars -- while equipment vendors could be blacklisted.

U.S., European and Japanese trade groups urged political intervention, and widespread Indian media reports said the Prime Minister's Office asked the Department of Telecommunications to soften the security provisions.

The Department of Telecommunications did not reply to requests for comment Wednesday.

"The matter is juggling between the Prime Minister's Office and the Department of Telecommunications," said an official at a foreign equipment maker who spoke on condition of anonymity because of the sensitivity of the talks.

As of March, India had 621.3 million telecom subscribers, up 44.6 percent from the prior year. Additional 3G bandwidth is badly needed to unclog overburdened networks and introduce high speed data services.

India's relations with China have been beset by mutual suspicion and competitiveness.

China has been gaining strength in India's telecom market, with telecom equipment accounting for an estimated 14 percent of India's $21.4 billion trade deficit with China last fiscal year.

That imbalance is a concern in New Delhi, which last year imposed antidumping duties on companies including ZTE and Huawei.

The two nations went to war in 1962 and still tussle over their border.

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