

Nokia says India 'least favourite market': report

NEW DELHI, INDIA: Finnish telecom giant Nokia has told India's government that the country is now its "least favourable market" to operate in and it makes better sense to export its products from China, a report said on Friday.



Nokia, which is fighting a 20bn rupee (US\$311m) tax demand from Indian authorities, urged the government to "act quickly to correct the wrong perception of India as a place for business", The Indian Express newspaper reported.

"The political risk of operating in India" has become "suddenly substantially higher and may inevitably influence future decisions to develop one's operations in India", Nokia said in a letter quoted by the daily.

The reported warning comes at a bad time for India when foreign direct investment has slowed to a trickle amid mounting domestic economic woes including a plunging rupee, a huge current account deficit, slowing growth and perceived government policy paralysis.

The Finnish group did not immediately respond to requests for comment on the message which The Indian Express said was dated 19 June and was received by the finance ministry last month.

Nokia only one of a number of multinationals in tax disputes

Nokia said its tax problems made it "more cost-efficient for Nokia to transfer the manufacture of mobile phones to China and to import them to the Indian market rather than manufacture them in Chennai".

Nokia, which has one of its biggest plants world-wide in the southern city of Chennai, is among a string of multinationals in tax disputes in India including Cadbury Royal Dutch Shell and Vodafone.

India has stepped up its pursuit of alleged tax delinquents to reduce a hefty budget deficit.

Nokia insists software downloaded onto its mobiles in India should to be taxed in Finland under a bilateral treaty between the countries, but India's tax authorities view it differently.

"Nokia does not think India can override its international obligations," Nokia was quoted as saying.

Tax claims against Nokia and other multinationals have "too great an impact on the predictability and certainty of Indian business environment to be ignored", Nokia added.

India, one of the world's fastest-growing mobile phone markets, is the second largest market for Nokia which began operations in the country in 1995 and employs 8,000 workers directly in Chennai.

Nokia which had been the country's leading handset maker for 14 years recently ceded its crown to South Korea's Samsung.

Nokia says committed to India despite difficulties

In a later report issued over the weekend, Nokia said on Saturday it is in talks with India's government about how to create a better business climate and remains "committed" to its manufacturing plant in the country.

"Nokia can confirm that it has been in discussions with the central government and state government over ways to bring greater clarity to the business environment in India," the company said in an emailed statement to AFP.

"These discussions have been both constructive and productive, and both sides have worked in a true spirit of cooperation," the company added.

Source: AFP, via I-Net Bridge

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