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India Debates New Telecom Equipment Manufacturing Policy to Limit Foreign Market Share and Boost Local Production

On April 12, the Telecom Regulatory Authority of India (TRAI) released new "recommendations on Telecom Equipment Manufacturing Policy" proposing new regulations to boost domestic manufacturing and limit foreign firms' market share in India's booming telecommunications equipment manufacturing market. The recommendations propose providing Indian equipment manufacturers with preferential licensing rights and government subsidies to proactively increase Indian-owned market share, while simultaneously implementing cuts on the market share allowed to foreign manufacturers. If they are accepted by the Indian Department of Telecommunications, TRAI's policy recommendations will be incorporated into India's new 2011 National Telecommunications Policy (NTP) expected to go into effect at the end of this year.

If approved, TRAI's recommendations will have profound effects on both foreign importers of telecommunications equipment and foreign companies that manufacture their equipment in local factories within India. Foreign companies like Ericsson, Nokia Siemens, Alcatel-Lucent and Huawei supplied 97% of national telecommunications equipment demand in 2010 (of which 87% was supplied by imports), and have historically dominated the market in India. If TRAI's new policy proposals are accepted, foreign firms would see their market share progressively cut by 47% over the next eight years – starting with a 15% cut in 2012-13 and eventually limiting them to supplying 50% of national demand by 2020.

India is currently the world's largest market for international telecommunications vendors, and high growth is expected to continue from $12.5 billion in 2009-10 to $40 billion in 2020. But while the market as a whole is booming, Indian firms and product sales have failed to keep pace. Indian-owned and operated companies currently supply only 3% of national demand, and Indian policy makers cite increasing domestic production, ownership of manufacturing technology and IPR, and overall market share vis-à-vis foreign competitors as a national priority and key strategic interest for India's economic development.

TRAI's new regulatory proposals have attracted initial support from Telecommunications Minister Kapil Sibal but have also attracted vocal opposition from foreign telecom equipment manufacturers and Indian mobile operators who purchase their products. The Cellular Operators Association of India – the country's most influential telecommunications lobby – has spoken out particularly strongly against the proposed regulations, arguing they violate the NTP's provisions for "technology neutrality, flexibility of choice and openness." Minister Sibal has promised that formal discussions will be held with industry representatives to seek feedback on the regulations and address companies' business concerns before a final policy decision is made in August.

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Japan PM Announces Comprehensive Review of Energy Policy and Shift Away from Nuclear

On May 10, Prime Minister Naoto Kan announced that Japanese policymakers will soon launch a comprehensive review of Japan's "Basic Energy Development Plan" – the central piece of legislation governing Japanese energy policy through 2030. The review is expected to focus on debating new policies to reverse four decades of Japanese energy strategy in the wake of the Fukushima Daiichi disaster – shifting some of the country's energy reliance away from nuclear power while re-prioritizing and injecting new development resources into renewable and fossil fuel energy sources.

A redirection of Japanese energy policy could hold profound implications for Japanese and multinational companies in Japan's nuclear, fossil fuel, and renewable energy industries if Kan and other Japanese policymakers are successful in pressing for substantial change. Kan has already cancelled plans to construct 14 new nuclear reactors by 2030, and questions loom large over where Japan's ten regional electricity providers – all but one of whom rely significantly on nuclear power – will turn to in order to make up the expected energy shortfalls. Analysts expect the two nuclear facilities the government has already closed due to safety concerns (Tepco's Fukushima Daiichi Plant and Chubu Electric's Hamaoka plant), along with Kan's 14 further power plant project cancellations, to open up significant new opportunities for multinational petroleum, natural gas, wind, solar, and geothermal energy companies to do business in Japan.

Japanese energy experts say that the nuclear shutdowns could result in a 15% increase in demand for Liquid Natural Gas (LNG) imports in the short term, and create another 10 million tonnes of LNG demand in the long term to be filled by exporters from supplier countries like Qatar, Malaysia, and Australia. Low-sulfur and sweet crude oil demand is similarly expected to increase, particularly as earthquake reconstruction begins in force. Wind, solar, and geo-thermal energy technology manufacturers in the United States and Northern Europe – many of which offer better productivity and prices than their Japanese competitors – are also likely to benefit significantly from energy policy reform. Japanese officials have stated renewables will make up an important new pillar in the nation's energy policy.

Neither the venue nor the timeframe for the proposed policy review have yet been set, but the informal policy debate and public discourse surrounding the issues has already begun. Prominent energy industry associations like the Petroleum Association of Japan and Federation of Electric Power Companies, multinational energy companies like Exxon Mobil and Shell, and various green energy interest groups have already been active in publicising their policy wish-lists and stirring media attention. Competition between competing energy stakeholders for public support and political influence is expected to continue in the coming months as the policy dialogue intensifies.

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Rising Risk of Government Intervention for Foreign Consumer Goods Companies in China

On May 6, the National Development and Reform Commission (NDRC), China's powerful economic planning agency, levied a landmark 2 million Yuan fine (about USD 308,000) on consumer goods giant Unilever for talking with local media about plans to raise prices on some of its products in China. The fine is the latest of several moves by Chinese regulators to exert control over sales prices at major consumer goods companies by singling out foreign companies. Analysts say the regulatory activism is part of a trend of tightening regulation and increasing government intervention that is likely to continue as Chinese officials seek to contain growing public discontent over price inflation.

The tightening regulatory environment is creating a dilemma particularly for leading multinational consumer goods companies like Unilever, Proctor & Gamble, Nestle and Abbott, who are being forced to absorb rising raw material prices and commodity costs without being able to increase prices due to fear of government reprisals. Western analysts have highlighted the fact that local Chinese and Taiwanese consumer goods firms, like food and beverage maker Tingyi, have received only mild warnings over their price increases, whereas western multinationals have been subject to steep fines, accusations of price collusion and profiteering in state media, and NDRC investigations into their pricing structures.

Senior Chinese leaders have identified price stability as the government's top priority, and government interventions to control sales prices and clamp down on foreign market leaders are expected to continue. Premier Wen Jiabao vowed in March not to allow price rises to affect Chinese consumers, and pledged that the government would move swiftly to solve "issues that the masses feel strongly about." The NDRC has warned that companies should consider price increases carefully and communicated its willingness to "break ugly habits and build new rules" with regard to planned price hikes at western firms.

Although foreign consumer goods firms have repeatedly stated that price increases are the unavoidable result of increased raw material costs, the NDRC department has already begun seeking meetings with foreign vendors of products considered "daily essentials" (a list that includes products like toothpaste, soaps and detergents, cooking oil and dairy products, amongst others) to pressure companies to delay price hikes. Western analysts warn that the government's activism raises serious concerns about the volatility of the operating environment for foreign consumer goods companies in China and increases the likelihood that aggressive regulation and government interventions will continue.

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Poland will advocate the development of shale gas during its upcoming European Union Presidency

The Polish Government intends to focus on accelerating the research and exploration of shale gas within the parameters of an EU framework during its forthcoming Presidency (starting July 1st). It argues that increasing petrol prices as well as the Fukushima accident give the EU a timely incentive to discuss the development of shale gas across Europe. Furthermore, the government believes it would lower Europe's dependency on unreliable energy suppliers and also lead to a significant reduction of CO_2 emissions once old coal-fired boilers are replaced by gas-fired turbines.

Some new Member States consider the EU's current energy policy as unrealistically ambitious and imposing an unfair burden on economies dependent on fossil fuels. From Poland's perspective, increased domestic (i.e. European) supply of natural gas from unconventional sources would help to offset the costs of carbon allowances in the 3rd Trading Period under the EU Emissions Trading System (from January 2013). Volatile and impossible to predict carbon prices are hampering investments in power generation, making construction of coal-fired plants risky. With the nuclear renaissance seemingly on hold, natural gas is considered as the safest alternative. However, currently there is no capacity to supply new projects in the CEE region and although the exploration of shale gas may help to cover rising demand, there is uncertainty about whether shale gas will figure in the European Commission's "Energy Roadmap 2050".

The Polish Ministry of Foreign Affairs believes that without adequate EU legislative support the launch of any project in the EU will be impossible unless a consensus concerning norms and terms of drilling exists among the Member States. As a result, Poland will focus on making this issue a common European project during its Presidency. To be clear, the benefits for Warsaw are obvious, given reportedly vast reserves estimated at 5TCM – official estimates will be confirmed in September 2011.

But France's National Assembly approves a ban on the controversial practice of extracting shale gas by "fracking"

On May 11th, the French National Assembly approved the bill aiming to ban the practice of hydraulic fracturing ("fracking"), a controversial shale gas extraction method. This bill, which needs to be approved by the Senate before it comes to force, will revoke the permits of companies admitting to fracking. It does not outlaw the extraction of shale gas itself.

The report written by French representatives highlighted dangers of the process with environmental and human health concerns associated with drilling by means of hydraulic fracturing that include the contamination of ground water, risks to air quality, migration of gases and hydraulic fracturing chemicals to the surface, and the potential mishandling of waste. Report alsonotes that potential costs associated with possible environmental clean-up processes, loss of land value and human and animal health concerns are undetermined.

If adopted (the text will now be examined by the Senate), the bill will ban the hydraulic fracking technique to exploit shale gas. This issue has galvanised civil society, led by ecological leaders Eva Joly, Nicolas Hulot and Danielle Mitterand and is a crucial issue for France, which has potentially huge shale gas reserves and important wide consequences across the EU.

While the French government has claimed that it wants to ban the process, the bill doesn't forbid shale gas exploitation in its entirety which paves the way for companies to find alternative techniques to extract the shale gas. This will remain a highly politicised issue ahead of next year's presidential election.

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Is Egypt an emerging player in Middle-East?

Egypt is showing signs of moving out from America's sphere of influence by looking to the Gulf for funds, improving its relations with Iran, strengthening ties with Palestine and increasingly questioning its relationship with Israel.

With a hesitant approach towards taking international loans, the nation has instead strengthened links with other countries in the region, taking a US$4billion loan from Saudi Arabia and having Qatar commit to US$10billion worth of projects. Local and regional media reports suggest Egypt is still testing the international waters following decades of rigid foreign policy control under Mubarak.

Exactly which route Egypt will take is open to question, however. Further strengthening ties with Iran, for example, will strain relations with the oil-rich Gulf States, and it must be remembered that the US still controls the purse strings of Egypt's most powerful faction, providing the Army with $2billion in aide each year.

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Brazil: the electric energy challenge

In 2015 the concessions for more than 20% of the energy generation plants in Brazil will expire. This will have a significant impact on hydroelectric plants which currently generate 75% of the Brazilian electric matrix. Brazil's ability to continue generating enough energy to support the sustainable development of the country is a critical issue.

Brazil's energy strategy is strongly regulated and government-controlled, and there are concerns that delays in defining new concessions may slow down investment and expansion plans in several industry sectors (including initiatives related to the World Cup and the Olympic Games). However, it also presents an opportunity for companies to develop key stakeholder relationships and improve their image, both for those already established in the sector as well as international investors who want to enter or expand their investments in Brazil's electricity sector. This opportunity is also relevant for those companies providing alternative forms of energy.

Specialists believe the government should extend the concessions, but are uncertain about the level of compensation that will be demanded from the market. A key concern is the 70% destination for the distribution market (small consumers), according to government goals to minimize prices for the population and small business, in detriment of the quota available to large consumers, such industries. This ambiguity also creates insecurity as energy contracts are renegotiated between industries and energy service providers over the coming years.

We will hear later this year whether there will be an open tender or if existing licenses will be extended or renewed. It will be critical to monitor the Ministry of Mines and Energy's progress with its energy policy development over the coming months.

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Peru: Legal protection for private pension funds

The Peruvian National Congress has approved a project sponsored by the Executive to protect private pension funds from being used for any other purpose other than future pension payments. The project will legally protect the monthly contributions that workers make to their Pension Fund Administrations (AFP), as well as the assets that the funds invest.

The issue has come to prominence following public statements by populist President-elect Ollanta Humala, who stated during the campaign in his plan for Government, that the private pension system should be voluntary, but every single worker should make mandatory contributions to the public pensions system. Humala won the April 10th general election with 32% of the votes and the subsequent second round on June 5th with 51.48% of the vote.

Analysts' concerns focus on whether Humala would try and use pension funds to finance a wide range of social programs that are included in his electoral platform, such as "Pension 65", a program that aims to give pensions to people over 65 years old who have never made contributions to public private systems. Such a move would effectively end the private pensions system, similar to what happened in Argentina in 2008.

While Humala has stated formally that he will not touch private funds and that he will finance his programmes through a strong fight against tax evasion, there is still considerable uncertainty in the financial markets as to what the final outcome will be - a situation which even some members of his staff have criticized. The ongoing uncertainty makes it a critical moment both for pension funds and companies which benefit from such investments, to re-enforce their message about the importance of protecting individual investments for their retirement and the benefits of the private pension system.

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US: Military Families Support Initiative

The military families support initiative established by The First Lady Michelle Obama and Dr. Jill Biden, has elevated the amount of attention toward the needs and support of America's military families.

According to Defense Department data, more than 2 million troops have been deployed to Iraq and Afghanistan since September 11, 2001. Following the death of Osama Bin Laden, there's been an ongoing debate on how much longer troops will remain in Afghanistan. Respectfully, the possibility of an influx of military service members returning home has alerted the nation to reevaluate whether we are able to ensure that our military service members can return home to communities and families capable of supporting their needs.

Recently, the National Military Family Association testified before the Personnel Subcommittee of the Senate Armed Service Committee and highlighted three important issues of concern addressed by the White House Joining Forces initiative: education, employment, and wellness. They petitioned to see an increase in supplemental payments for districts with large numbers of children from military families; support of the Military Spouse Job Continuity Act; and sustained quality, affordable health care for Military Health System beneficiaries.

Sen. Patty Murray, D-Wash., who chairs the Senate Veterans' Affairs Committee, was concerned that the government wasn't providing the type of assistance needed and the government quickly tackled this issue by recently introducing the Hiring Heroes Act of 2011. This legislation would require service members to participate in a Transition Assistance program before leaving the military.

The government has moved quickly into rapid response mode and opportunities lie ahead for businesses and corporations to provide and expand access to wellness programs, and resources for military spouses and families. Organizations with an existing commitment should catalogue the assets and commitments they are bringing to the table and educate the veterans and public about their efforts. Organizations that have not already joined should begin to identify how they can be a part of this initiative and how they can use their own resources to serve military families.

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US: Natural Disasters Hitting Home, Lack of Preparedness among Companies and Government

Comparatively linked to Hurricane Katrina as being one of the most destructive natural disasters to hit the United States since 2005, the recent flooding in the Midwest and Southeast regions is causing companies and local governments to reevaluate their emergency preparedness plans.

The April thunderstorms and tornadoes elevated river levels, threatening communities, refineries and shipping companies. In the aftermath, thousands of people were evacuated from their homes; more than 100,000 acres of Missouri cropland was flooded, power plants in Tennessee were unable to receive shipments and the U.S. Army Corps of Engineers was called upon to open a floodgate to lessen the force of the flow of the Mississippi River through New Orleans. Meanwhile, farmers were delayed in planting, shipping companies were unable to distribute goods and services and refineries could not produce gasoline resulting in shortages and higher prices of commodities for consumers. Recently, industry groups have urged the government to change the current policy that restricts Mississippi River flooding by utilizing floodways, levees and valves. Opponents of the federal policy are calling for the river to act as it was intended, reducing the dependency on levees.

In the wake of Japan's tsunami in March, some cities have already begun to take precautionary measures. Research suggests a rise in coastal flooding and sea levels by 0.59 meters, according to the Intergovernmental Panel on Climate Change's 2007 report. With a goal to increase the city's resiliency to climate change, the state of New York began plans to redevelop its 520 miles of waterfront over 10 years. A plan that is already underway, New York has lifted power generators at wasteland plants above flood levels in hopes that if the plant floods, the infrastructure will be untouched.

In the midst of the destruction of natural disasters lies an opportunity for refineries, shipping companies, farmers, insurance companies, and most importantly, local and regional governments to review and refine their risk and crisis management plans in order to act, react and return to a state of normalcy as quickly as possible.

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US: New FDA Food Safety Rules Scrutinize Imported Foods

Following a series of high profile food safety outbreaks, the U.S. Food and Drug Administration (FDA) has issued new regulations that will help ensure the safety and security of foods in the United States. Set to take effect July 3, 2011, they are likely to have sweeping impacts on food companies who export products to the US. These are the first rules to be issued by the FDA under the new authorities it received from passage of the Food Safety Modernization Act (FDMA), which was signed into law by President Obama in January.

According to an FDA news release issued May 4, 2011, "This new requirement will provide the agency with more information about foods that are being imported, which improves the FDA's ability to target foods that may pose a significant risk to public health."

Under the new regulations, the agency plans to build a new system for oversight of all imported food. The "Foreign Supplier Verification Program" will require each importer to allow legal access to FDA inspectors to see and copy records, conduct environmental and product testing; and monitor the supply chain for foods produced and processed in other countries. Documentation consistency requirements and inspections will be part of the new criteria.

Beginning in July, the FDA will be able to detain food products that it has reason to believe are adulterated or misbranded at the port of entry, to ensure they are kept out of the marketplace. Seafood imports into the U.S. alone totaled about $14.7 billion in 2010, according to the U.S. Department of Agriculture.

Food companies exporting to the US should focus on ensuring that the consumers are educated on their food safety plans, supply chain management and records maintenance policies.

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