

Sistema, Telenor Invoke Treaties in India

By [The Moscow Times](#)

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Medvedev meeting the Indian communications minister on Wednesday. **B. Mathur**

India may have to pay damages after its Supreme Court canceled mobile-phone licenses of Norway's Telenor and Russia's AFK Sistema, prompting the companies to invoke trade treaties and threaten legal action.

Telenor, which routed its investment through Singapore, has cited the city-state's economic cooperation treaty with India to protect its interests, spokesman Glenn Mandelid said Tuesday. Sistema, owned by billionaire Vladimir Yevtushenkov, said Feb. 28 that it's using bilateral protections with India to salvage its operations.

Failure of the Indian government to settle the matter may cost it money and undermine the country's image as a destination for foreign companies, said Biswajit Dhar, director general of New Delhi-based Research and Information Systems for Developing Countries. Telenor and Sistema risk losing about \$5.8 billion of combined investment after the court on Feb. 2 ruled that the award of some mobile-phone licenses in 2008 was "flawed" and rescinded those tainted by graft allegations.

"When the Supreme Court fails to account for bilateral treaties when making rulings, it makes the country look very bad," Dhar said. "These agreements are becoming a problem and an arbitrator will likely ask India to cough up cash for damages."

Veerappa Moily, India's minister of corporate affairs, told reporters in New Delhi on Tuesday that the Indian government hadn't received a notice from Telenor seeking compensation.

"We have informed the government of India of our intent to invoke the provisions" of the Comprehensive Economic Cooperation Agreement between India and Singapore, Telenor's Mandelid said in an e-mailed statement. "While we haven't stated any amount, we do intend to seek compensation for all investment, guarantees and damages."

Vsevolod Sementsov, a Moscow-based spokesman for Sistema, declined to comment. Sistema has spent about \$3.1 billion on its Indian mobile-phone business. Telenor has invested more than 140 billion rupees (\$2.7 billion) in its joint venture with India's Unitech.

The Supreme Court canceled 122 licenses after the country's auditor said a 2008 auction of second-generation spectrum lacked transparency and was sold to ineligible bidders at "unbelievably low" prices. The sale cost the exchequer about \$30 billion in revenue, the auditor's 2010 report said.

Former Telecommunications Minister Andimuthu Raja is in jail in New Delhi facing trial, while former officials in his ministry, a lawmaker and Sanjay Chandra, managing director of Unitech, have been released on bail. All deny wrongdoing.

Telenor formed a venture with Unitech after it won airwaves in the auction. Sistema's local partner is Shyam Group.

The Norwegian phone company is suing Unitech for indemnities, accusing it of fraud. The case is currently before India's Company Law Board. Sistema has asked India to settle the dispute amicably within six months or face legal action.

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