

# China's grey luxury market threatened by new tax regime

REUTERS, Hong Kong/Paris

China is raising fees on packages ordered from abroad and cracking down on smugglers who carry in suitcases full of luxury goods, in a concerted effort to encourage shopping at home and squeeze a grey market that shoppers use to avoid tax.

Although Chinese shoppers account for a third of global sales of luxury goods, sales that actually take place in mainland China account for only a fifth.

The rest are purchases made abroad -- either ordered from overseas websites, bought by Chinese tourists, or smuggled in by "personal shoppers" known as daigou, who fill suitcases with luxury items and sell them back home in person or online.

That costs the Chinese government tax revenue, and also discourages the domestic consumption sector, particularly for higher quality goods, that Beijing has long been trying to boost to rebalance its economy away from exports.

"China wants to attract the outbound purchases back and cultivate a domestic luxury consumption market which is also consistent with the target to develop a consumption driven economy," Yating Xu, an economist for HIS Global Insight said.

Luxury items like the latest Dolce & Gabbana bag can be around 50 percent cheaper in Milan or Paris than in mainland China, although some brands like Chanel lowered Chinese prices last year to close the gap.

Some Chinese also prefer to buy expensive items abroad because they can be more certain the goods are genuine, and can get better choice or service than at home.

Luxury firms have invested in opening boutiques in China, but they sometimes sit idle, potentially damaging their brands.

The problem has gotten worse over the past year, according to figures provided by the consultancy Bain & Co, which found that luxury consumption in mainland China fell 2 percent in 2015, even as purchases by Chinese buyers rose 251 percent in Japan, 31 percent in Europe and 33 percent in South Korea.

The parallel market, mostly conducted online, is crowding out bricks-and-mortar shops, said Roth Lai, deputy editorial director at Elle China, speaking at a conference on luxury in Paris this week.

"E-commerce has become really the main driving force in the luxury goods market in China," he said. "But I think the Chinese will continue to buy outside of China for the foreseeable future, until there is a major shift in economic structure in China."

To combat the daigou, the Chinese government last week increased penalties for false declarations and tightened customs controls. Officials are catching more and more Chinese travellers at the airport with suitcases full of luxury goods and slapping taxes on them.

Beijing also said that from April 8 it would increase taxes imposed on a range of goods either imported via the Internet or carried in by daigous.

Tariffs on watches ordered from abroad were increased to 60 percent from 30 percent and on jewellery to 15 percent from 10 percent.

"We expect an adverse impact on overseas purchases by Chinese daigous and tourists alike," said Exane BNP Paribas analyst Luca Solca.

# BNP shares views with BB on cyber heist

STAR BUSINESS REPORT

A BNP delegation yesterday provided Bangladesh Bank Governor Fazle Kabir with information and experts' opinions to help the banking regulator crack the mystery behind the recent cyber heist of Tk 800 crore.

The two-member delegation led by BNP Finance Affairs Secretary Abdus Salam handed over a letter of the party secretary general Mirza Fakhru Islam Alamgir to the governor at the latter's office.

In the letter, Fakhru said: "A well-thought-out media presentation on Bangladesh Banks' money heist was held on March 29 at BNP chairperson's Gulshan office. We think this presentation papers will help investigate the incident."

They have handed the presentation papers made by local and international experts, a CD and some other information.

The political party has also requested Kabir to take effective steps so that Bangladesh Bank can get back the stolen money.

The BNP leader said the governor thanked them for sharing the information and assured that they will take all necessary steps in this regard.



Erik Aas, chief executive of Banglalink, poses with Shakib Al Hasan, a national cricketer, and Umme Ahmed Shishir, wife of Shakib, at a program in the capital yesterday. Shakib and Shishir have become brand ambassadors of the mobile operator.

# SWIFT's Asian head in Dhaka

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The BB had asked SWIFT Global to review its system in Bangladesh as soon as it found out about the security breach on February 7.

But SWIFT Global said it was not possible to provide on-site support at that moment, recommending off-site support instead.

SWIFT's messaging services are used by more than 11,000 financial institutions in more than 200 countries and territories around the world.

CID TEAM OFF TO MANILA

Meanwhile, a three-member team of the Criminal Investigation Department led by

Deputy Inspector General Saiful Islam will fly to Manila today as part of the investigations into the cyber heist. The other members are: Mirza Abdullahel Baqui, special superintendent of the CID, and Raihan Uddin Khan, additional superintendent.

Baqui said they will talk to the members of different intelligence agencies and bank officials in the Philippines. "Besides, we will match, share and verify information that we obtained in Bangladesh," he added.

The CID officials said another team is expected to leave for Sri Lanka tomorrow for the same purpose.



Md Rezaur Rahman, deputy managing director of Al-Arafah Islami Bank, opens an agent banking outlet of the bank in Manikdi Bazar, Dhaka on Thursday. Abed Ahmed Khan, head of agent banking division, was also present.



Suraiya Begum, secretary of the Prime Minister's Office, presides over a meeting on the progress of Annual Performance Agreement, with the officials of Bangladesh Export Processing Zones Authority, at Bepza Complex in Dhaka on Wednesday. Major General Mohd Habibur Rahman Khan, executive chairman of Bepza, was also present.

# Regulator imposes bank guarantees on ISPs

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Small ISPs in three categories, including cyber cafés, have to pay Tk 10,500, Tk 5,250 and Tk 1,050 in bank guarantees respectively, according to the BTRC.

ISP entrepreneurs said the move would increase their operating costs that will ultimately be passed on to internet users.

"The government asked us to reduce internet prices, but they are not helping us to do so," said Imdadul Haque, general secretary of Internet Service Providers Association Bangladesh (ISPAB). They are already facing challenges and this just adds to that, he said. "The regulator didn't even talk to us before making this decision."

BTRC did not take action against the illegal ISPs and cannot make any decision on reducing transmission costs, but they have imposed a new decision that will directly impact their businesses, said Haque.

Earlier this year, the government decided to streamline the ISP business and BTRC took a move to issue licences for the ISP business. Currently, the ISPs are operating under registration certificates. The BTRC prepared draft guidelines for the ISP business, which would create uniform ISP operations from an existing segmented one.

Currently, there are three major ISP licences -- nationwide, central zone and zonal -- which have different sets of operational rules. Cyber cafes across the country also come under the ISP licence in three categories. According to the draft ISP guideline, the licence fees will be Tk 10 lakh for ISP business with 15-year tenure. Currently, there are 130 ISP operators in the nationwide category, 100 in the central zone category and 63 in the zonal category.

# Evince Textiles to enter stockmarket

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Currently, 44 companies are listed in the textile sector, which accounts for about 4 percent of Dhaka Stock Exchange's market capitalisation. Set up in 2003, Evince Textiles currently produces over a million yards of cotton shirting fabrics a month, according to the company's website.

The stockmarket regulator also gave a go-ahead to Wata Chemicals, to raise Tk 35 crore for its BMRE (balancing, modernisation, rehabilitation and expansion) initiative by issuing 3.5 crore redeemable and non-convertible debentures.

The period of the debentures, a type of debt instruments, is seven years with a grace period of one year. The debentures will be offered only to Investment Corporation of Bangladesh through private placement.

At yesterday's meeting, the BSEC also fined the managing director and other directors, except independent and nominated directors, of Matin Spinning Mills Tk 2 lakh each for breaching securities rules while using the IPO funds.

# Extend banks' stock exposure deadline

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Capital market stakeholders, including merchant banks and stockbrokers, have long been requesting the government to extend the deadline.

The finance minister and the commerce minister on several occasions also hinted that banks will get more time to bring down their capital market investment exposure to the permissible limit.

# Cambodia passes disputed trade union law

REUTERS, Phnom Penh

Cambodia's parliament approved a disputed trade union law on Monday without making changes demanded by labour groups and the opposition, who decried it as too strict and designed to limit workers' rights.

The law is a hotly contested issue in Cambodia, where the \$5 billion textiles and footwear sector is the biggest employer and economic driver, producing goods for Nike, H&M, Puma, Marks and Spencer and Inditex, among more than a dozen global brands.

Some of about 100 protesters clashed with security guards outside the National Assembly before the bill was passed and at least two union activists suffered bloody head injuries. All 67 deputies present from the ruling Cambodian People's Party (CPP) supported it and the 31 opposition Cambodia National Rescue Party (CNRP) delegates voted against it.

"We're worried as it will affect our rights to hold strikes. They (the government) will interfere in our work, they can suspend and dissolve us," said Ath Thon, president of the Coalition of Cambodian Apparel Workers Democratic Union. The law sets rules on how unions are formed, operated and dissolved and was passed in its original form, without alterations requested by unions, employers and rights groups.

Business owners requested the rules in 2007 to prevent strikes by unions representing some 700,000 workers in an industry that has grown rapidly, partly because it undercuts China's factories. The unrest has dogged Cambodia, with protests over pay a perennial problem for the government and an issue for brands worried about interrupted orders and negative publicity.

Unions and the CNRP had urged parliament to remove from the law all articles on suspending unions and requirements for them to prepare financial reports.

Ath Thon said union leaders would push for amendments but would not hold large protests due to fears of a repeat of previous violence and crackdowns by the authorities.

# Central Asia looks to boost fledgling ski industry

AFP, Almaty, Kazakhstan

The season may be drawing to a close at Central Asian Kazakhstan's Chimbulak winter sports resort, but skiers and snowboarders are still carving their way down a broad piste framed by the snow-speckled spruces of the Tien-Shan mountains.

After a dip in interest that accompanied the collapse of the Soviet Union, the landlocked region is witnessing a growing number of locals and foreigners head to its abundant mountains to savour the snow.

"Chimbulak is a national treasure," said Cristina Lee, a 26-year-old first-season snowboarder who teaches yoga in the nearby city of Almaty and visits the resort most weekends.

"It is true that I do not have anywhere else to compare it to yet, but I am in awe of it," she said.

While Chimbulak lacks the ring and world class infrastructure of France's Meribel or Whistler in Canada, it is no longer a sad, Soviet-era holdover either.

The resort at over 2,600 metres (8,500 feet) altitude saw millions of dollars of investment ahead of Kazakhstan's hosting of the 2011 Asian Winter Games and was a keystone in Almaty's narrowly unsuccessful bid for the 2022 Winter

Olympics.

According to Chimbulak's administration, it hosted 180,000 ski tourists alone in 2015 and expects more than a third more this year, in spite of an economic downturn.

Yet foreign tourists travelling to the landlocked region may be seeking something more than a resort experience that while steadily improving, remains limited.

"Resorts are getting better but if there are hundreds of kilometres of runs in European resorts, Central Asian resorts might have 20, 25 at a push," said Steven Hermans, who runs the Caravanistan.com website providing regional tourism services.

"What Central Asia really stands out for is back-country adventures. The dry climate makes for a snow with very little moisture content. This is the kind of powder that adventure skiers and snowboarders live for," Hermans told AFP.

For experienced practitioners of the sport who long for the freedom -- and risks -- of virgin snow, Kazakhstan's 95 percent mountainous southern neighbour Kyrgyzstan is emerging as a haven.

Popular off-piste ski adventures in the country range from heliski runs at over 4,000 metres altitude to cross-country skiing around the world's largest natural walnut grove in the town of Arslanbob.

American Ryan Koupal is among the pioneers of the back-country movement in the republic of six million, running an operation that combines alpine sports with overnight stays in nomadic felt tents.

His 40 Tribes company has seen interest in Kyrgyzstan's back-country skiing rise sufficiently to attract coverage on extreme sports shows and in ski journals, while retaining the "far off" tag that more well-travelled back-country destinations have now lost.

"As more and more people hear about Kyrgyzstan's empty world-class mountains it is becoming a place on people's radars for the next big back-country skiing or snowboarding adventure," Koupal told AFP by email.

Both Kyrgyzstan and Kazakhstan have broken with form in closed-off Central Asia by introducing visa-free entry procedures for citizens of economically developed states in an effort to boost tourism in recent years.

Energy-rich Kazakhstan hopes the move will translate into more high-profile visitors such as Prince Harry, whose 2014 sojourn at Chimbulak with then-girlfriend Cressida Bonas was viewed as a major coup for the country.

In the long term, however, the Russia-linked region must hope for more stable economic growth to



Officials and business partners of ACI Motors pose during a two-day meeting at the company's head office in Tejgaon, Dhaka on Saturday.



Md Arif Khan, managing director of IDLC Finance, and Mohammed Ibrahim, chief executive of SSG, attend the sales meeting of SSG in Dhaka.

# Bangladesh to ratify crucial WTO deal

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If the TFA is implemented properly, exports from developing countries are estimated to increase between \$170 billion and \$730 billion, while that of developed economies between \$310 billion and \$580 billion a year, according to the WTR.

Fuller and faster implementation of the TFA will also boost the overall world export growth by up to 2.7 percent and global GDP growth by 0.5 percent, the report added.

The TFA is expected to help the developing countries diversify their exports as well, the WTR said.

If the TFA is fully implemented, developing countries could increase the number of new products being exported by as much as 20 percent. The LDCs are likely to see a much bigger hike of up to 35 percent.