

# Goods, services must be treated together in Brexit talks: UK

REUTERS, London  
Britain urged the European Union on Monday not to separate goods from their services in Brexit talks, further outlining its negotiating stance to try to nudge discussions forward to a second phase on future relations.

In two position papers - one on goods and the other on confidentiality - the government set out more proposals that it said would help "give businesses and consumers certainty and confidence" after Britain leaves the bloc in March 2019.

Much of what it proposed was in line with the EU's own policy document published earlier this year. But in one departure, Britain's paper said the provision of goods and services should be treated as one, citing the example of a maintenance contract that comes with the sale of an elevator.

"These papers will help give businesses and consumers certainty and confidence in the UK's status as an economic powerhouse after we have left the EU," Brexit minister David Davis said in a statement.

"They also show that as we enter the third round of negotiations, it is

clear that our separation from the EU and future relationship are inextricably linked ... and (we) are ready to begin a formal dialogue on this and other issues."

John Foster, director of campaigns at business lobby CBI, called the government's position "a significant improvement upon the EU's current proposal", but said the only way to offer companies certainty was to agree interim arrangements.

"The simplest way to achieve that is for the UK to stay in the single market and a customs union until a comprehensive new deal is in force," Foster said in a statement demanding something Prime Minister Theresa May has ruled out.

After a slow start to negotiations to unravel more than 40 years of union, Britain hopes that by publishing policy papers and proposals for future relations it can persuade the EU to move beyond discussion of a divorce settlement.

But EU officials have questioned whether there has been "sufficient progress" in the first stage of talks on the rights of expatriates, Britain's border with EU member Ireland and a

financial settlement before moving on.

The two papers published on Monday cover some of the easier parts of the negotiation and followed a pattern of Britain wanting to mirror much of its existing relations with the EU, which has said Britain cannot expect to enjoy as advantageous ties outside the bloc as it has had inside.

The government said it wanted goods on the market before Brexit to continue to be sold without additional requirements, to avoid unnecessary duplication of compliance activities and to facilitate the continued oversight of products.

But it said one of the areas ministers would like to explore was that of services supplied together with goods.

"The discussions should take account of the deep connections between the availability of goods and the services attached to goods, including those that have been offered prior to exit," the paper said.

"The UK wants to ensure that these connections are explored comprehensively through discussions to avoid uncertainty and disruption to business and consumers."



M Nazeem A Choudhury, head for consumer banking at Eastern Bank, and Selima Ahmad, president of Bangladesh Women Chamber of Commerce and Industry, exchange the signed documents of a deal at a programme in Dhaka, to improve and promote women entrepreneurship in Bangladesh.

# O2 - and Britain - are losers in 5G spectrum fight

REUTERS, London  
A high-stakes legal fight is brewing in the esoteric world of mobile-spectrum licensing. Telefonica's O2 has much to lose, as do British consumers waiting for ultra-fast 5G internet.

BT, the largest operator, and Three - part of Chinese billionaire Li Kashing's CK Hutchison conglomerate and the fourth-largest network - are threatening legal action over planned auctions of mobile spectrum. Three wants tougher limits on how much 5G spectrum the biggest holders can buy while BT wants looser restrictions.

Regulator Ofcom's rules prevent operators owning more than 37 per-

cent of the mobile spectrum expected to be usable in 2020. But Three said in an Aug. 7 letter to Ofcom that the timing of auctions could allow BT to hold a 41 percent share until a final batch of spectrum is sold, probably by 2020 but maybe later, and that the cap would effectively become meaningless after 2020.

True, BT may breach the cap if an auction slated for 2019 is delayed. But a time-consuming legal challenge by Three could make that a self-fulfilling prophecy. And asking the regulator to set caps beyond 2020 is equally pointless since today's market analysis will probably be out of date by then. BT's challenge is no better, since Ofcom's spectrum caps

strike a good balance between the interests of consumers and operators. The real aim may, however, be to counterbalance Three's objections.

The auctions have already been delayed because of CK Hutchison's 2015 attempt to merge Three with Telefonica's O2, which failed. Further delays are likely to benefit Three, which might win time to develop a network based on the 5G-compatible spectrum that it already holds.

The losers from a delay are equally obvious. First, spectrum-starved O2 would be barred from acquiring the immediately usable frequency it needs to meet demand for high-speed mobile data.

# BB plans fresh agri loans for flood-hit farmers

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The commercial banks were asked through a circular to provide fresh loans to the flood-hit farmers and accelerate loan disbursement under refinance schemes of Bangladesh Bank at a reduced interest rate.

Bangladesh Bank is considering announcing the same facilities this year for the affected areas, said the executive.

Abubakar Siddique, a sharecropper in Lalmonirhat district, said he has a crop loan of Tk 50,000 with a non-government organisation and that he would be unable to pay it back as his crops had been damaged by the recent flood.

He said banks should not charge interest for agricultural loans for one

year, otherwise many farmers would become defaulters.

Commercial banks already instructed their branches to reschedule repayment of loans taken for crops, livestock and poultry farms to support the farmers, said MA Halim Chowdhury, managing director of Pubali Bank.

Banks are not willing to waive interests of agricultural loans because the government does not provide subsidies to the banks for the interest loss, said a senior executive of the central bank. If the interest is waived, banks and NGOs have to shoulder the loss, he said.

A total of Tk 22,426 crore in loans was disbursed in the agriculture sector in the fiscal 2016-17.

Of the total, Tk 10,060 crore went for crops, Tk 3,056 crore for livestock and Tk 2,413 crore for fisheries, according to central bank data. The recovery of agriculture loans was 48.25 percent during the fiscal year.

Disbursement of agricultural credit to sharecroppers under refinance schemes of Bangladesh Bank amounted to Tk 561.85 crore during the last fiscal year.

Bangladesh Bank has another refinancing fund of Tk 200 crore at 5 percent interest rate for livestock. The fund was created in June 2015. Since then, Tk 173 crore was disbursed through 14 banks, shows central bank data.



Martin Hutchins, managing director of Cambridge Professional Academy, a qualification and training provider, and Nigar Sultana, managing director of Alianz, a capability development organisation, attend a deal signing ceremony at Cambridge in the UK. The partnership will allow the introduction of globally recognised qualifications from the professional bodies in the UK. The qualifications will be available through Bangladesh Brand Forum Centre for Innovation and Excellence in Bangladesh from September.

# Employees confine Ericsson top-brass for service benefits

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M Asaduzzaman, joint secretary of the union, said: "We have been continuing talks with the authorities for the last five months. Now we have been left with no other option but to go for movement."

He said some telecom companies in Bangladesh also offered voluntary retirement scheme or termination benefit. "We have just demanded the same treatment."

Sonia Aplin, head of marketing and communications for South East Asia, Oceania and India at Ericsson, said in an email: "As previously announced, Ericsson has made a number of operational changes to our organisation in Bangladesh, including headcount reduc-

tions, based on business needs and as part of our continuous efforts to increase efficiency."

"All changes have been made and communicated to our impacted employees in strict compliance with local regulations and company policies, and in keeping with our core values of professionalism and respect," she added.

Ericsson, a leading provider of telecommunications equipment and related services to mobile and fixed network operators in the world, provides services to almost the entire telecom sector in Bangladesh.

It plans to lay off 25,000 employees outside Sweden to cut costs.

# NBR may phase out truncated VAT rates

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It means that rates of truncated VAT will have to be increased to 15 percent now applicable on most of the goods and services, said officials of NBR.

The rates of VAT fixed on truncated bases fall below the standard rate of VAT at 15 percent on goods and services.

Currently, taxmen collect VAT on truncated rates from 19 services such as that of electricity, motor garage and workshops, realtors, jewellers and English medium schools. The rates of truncated VAT range from 1.5 percent to 10 percent, according to the NBR.

"We will work on the rates in line with the instruction of high ups," said a senior official of NBR.

The official said the rates of truncated VAT would be increased gradually to 15 percent prior to the implementation of the VAT and SD law from the fiscal 2019-20. The rates may be hiked from the next fiscal

year, he said.

The government originally scheduled to roll out the new law in July 2015. Since then, implementation of the law has been deferred twice in the face of opposition from businesses on ending multiple rates of VAT on more than 100 goods and services.

The government collects reduced rates of VAT from various goods and services under the existing VAT Act 1991 to lighten the burden of indirect tax on consumers.

VAT, also known as consumption tax, is the biggest source of revenue collected by the NBR. VAT receipts from local businesses soared 19 percent year-on-year to Tk 66,891 crore in fiscal 2016-17.

The revenue collection target for the current fiscal year has been set at Tk 248,190 crore, which is 34 percent higher than last fiscal year's preliminary figures. The VAT collection target has been fixed at Tk 91,344 crore.

# Bangladesh goes up 28 notches

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The Basel AML Index seeks to provide an overall picture of a country's risk level and to serve as a solid starting point for examining progress over time.

According to the report, the top 10 high-risk countries are: Iran, Afghanistan, Guinea-

Bissau, Tajikistan, Laos, Mozambique, Mali, Uganda, Cambodia and Tanzania.

The top 10 low-risk countries are: Finland, Lithuania, Estonia, Bulgaria, New Zealand, Slovenia, Denmark, Croatia, Sweden and Israel. The Basel Institute on Governance has been releasing the report since 2012.

# Hong Kong property investors go trophy hunting in London despite Brexit

REUTERS, London  
Chinese investment in London commercial property has more than trebled since before Britain voted to leave the European Union, most of it channelled through Hong Kong at a time of heightened political uncertainty in the former British colony.

While others have pulled back from British property following last year's Brexit referendum, investors largely from Hong Kong are snapping up the British capital's best-known skyscrapers including the "Cheesegrater" and "Walkie Talkie".

In the first six months of 2017 Chinese investors spent 3.96 billion pounds (\$5.10 billion) on London commercial property according to data from the CBRE real estate group, the highest amount on record and outpacing the 2.69 billion pounds spent in the whole of 2016.

Hong Kong accounted for 92 percent of the Chinese investment, according to the Knight Frank agency. Hong Kong food conglomerate Lee Kum Kee is set to pay 1.28 billion pounds later this month for 20 Fenchurch Street - the 34 storey skyscraper known as the Walkie Talkie - a record for an office building in Britain.

With Beijing cracking down on foreign deals by mainland companies, investors there are instead using Hong Kong as a conduit for overseas deals. China's state planner announced on Friday that the country will strengthen rules to defuse risks for domestic companies investing abroad and curb "irrational" overseas investment.

However, Hong Kong-based investors are more significant players.

"Deals from mainland China already make up a smaller proportion of the activity from the region, with Hong Kong investors most active," said Anthony Duggan, head of capital markets research at Knight Frank. "We expect that Chinese investors will still look to make strategic real estate purchases that fit within their business plans."

Hong Kong's freedoms, including judicial independence, are constitutionally enshrined under a "one country, two systems" deal struck before Britain returned the territory to China in 1997. However, concerns have been rising in recent years and an appeals court jailed three leaders of Hong Kong's democracy movement last week.

Tens of thousands protested in Hong Kong on

Sunday against the jailing of the young activists, with many demonstrators questioning the independence of the judiciary.

Hong Kong's legal chief has denied any "political motive" in seeking the prison terms.

"If you're concerned that China is taking control of Hong Kong more and more and you need to take capital out of that jurisdiction, London is attractive," said Chris Brett, head of international capital markets at CBRE.

Several factors are drawing the investment, including sterling's 12 percent drop since the Brexit referendum against the U.S. dollar - to which the Hong Kong dollar is pegged.

"Cheaper money, the rule of law, cultural familiarity and a need to diversify out of a home market is what's driving Hong Kong demand in the UK," said James Beckham, head of central London investment at property consultant Cushman & Wakefield, which advised the Walkie Talkie's buyers and Cheesegrater's sellers.

Record Hong Kong commercial and residential property prices, along with the political concerns are pushing investors to turn to overseas markets where rental yields are higher.

The illiquidity of a building compared with other investments is also an attraction, should

Beijing demand that funds be repatriated to China, Jefferies analyst Mike Prew said.

The Brexit vote means some London-based financial jobs will shift to the continent or Ireland so that banks can continue selling to clients in the EU.

But this negative factor for the office market is offset by the pound's fall, which makes property cheaper for foreign investors, and the fact that the buildings sold have come with tenants signed up to leases of around 10-15 years.

Real estate sources said other City of London landmarks, including 30 St Mary Axe - known as the Gherkin - and the Heron Tower are also attracting interest from Hong Kong investors. These prime "trophy" assets, like the Cheesegrater and Walkie Talkie, have well-known tenants and are in limited supply.

Chinese pricing of UK commercial real estate has already established an "entry premium" of about 100 basis points on yields for platinum or top grade buildings, according to Prew.

Capital from China and Hong Kong has accounted for a third of all investment in London commercial real estate this year, up from less than 10 percent before the referendum, according to CBRE.



A woman passes a view of The City in London, Britain.