

Illegal handset imports cost Bangladesh Tk 800cr a year

Senior executive of Samsung Mobile Bangladesh sheds light on the industry

MUHAMMAD ZAHIDUL ISLAM

BANGLADESH is losing Tk 800 crore in lost revenues every year because of illegal imports of mobile phones, said Mueyedur Rahman, head of mobile at Samsung Mobile Bangladesh.

"One in every four Samsung branded cellphone in Bangladesh is brought in through illegal channels."

Last year, the company imported about 20 lakh handsets, including 15 lakh smart devices, at Tk 1,897 crore, according to Bangladesh Mobile Phone Importers Association.

The country imported 3.12 crore mobile phones last year, up 11 percent over the previous year, at Tk 8,000 crore, the association's data showed.

About 50 lakh pieces of mobile handsets are brought in to the country through illegal channels a year, according to a recent report of Bangladesh Telecommunication Regulatory Commission (BTRC).

The BTRC has recently taken an initiative to stop illegal imports by launching a database of the National Equipment Identity Register to store information of all legally-imported devices.

Rahman lauded the regulator's efforts to crack down on illegal imports. "This will encourage legal imports and customers will avail the maximum benefit of an original device," Rahman told The Daily Star in an interview recently.

Samsung also faces challenges from low-cost and hazardous parallel imports carried out by travellers, he said.

"This has continued to deepen customers' sufferings as they can't avail after-sale services for such devices from our service points. This has been denting Samsung's reputation in terms of quality and safety."

The establishment of assembly plant in Bangladesh would discourage illegal imports and encourage customers to buy original devices and make products more affordable, Rahman said.

However, high investment and business feasibility are some of the key factors that need to be taken into account before setting up an assembly plant, he said.

In July, the government cut custom duties for mobile parts and increased tax for imported



Mueyedur Rahman

finished mobile sets to encourage local assembly.

Rahman, however, declined to say whether Samsung would set up any assembly plant in Bangladesh. "We are unable to disclose this information at the moment."

Bangladesh is recognised as the ninth-largest handset market in the world and Rahman said it would soon move up to the seventh position.

He said the country is moving towards digitalisation and smartphones are one of the main vehicles to connect the local people with the digital world.

"However, Bangladesh's smartphone penetration, now at 27 percent, is quite low compared to other developing countries."

He blamed the low penetration on the existing tax structure. He stated the increase of duty on handset imports from 5 percent to 10 percent for 2017-18 as a case in point.

The price of smartphones has increased with the double amount of duty in place, he said.

It might impact our business growth and could slow down the pace of reaching the mass users."

According to Samsung, the number of mobile phone users would grow significantly in Bangladesh by 2020.

Internet usage through mobile phone is also expected to grow, and the prospect of 4G rollout, favourable government policy and greater 3G internet penetration have created demand for smartphones, said Rahman.

"The rise in demand for smart devices will reach extraordinary heights in line with the fast changing lifestyle of the people."

Samsung Mobile has been doing business in Bangladesh for the last seven years and has already become a top brand in the country.

"It's a sheer pride for the brand to see Samsung growing. We have grown at faster rate than the overall growth of the handset industry. We are committed to continuing our growth journey."

He said the company sees a huge growth potential in Bangladesh in the coming days, and in order to cement its pole position, it always localises campaigns and products to enrich the taste of the customers.

Samsung has recently launched pre-orders for its new "Galaxy Note 8" in Bangladesh, and Rahman said it would be the best in class premium device in its segment for 2017 and might surpass all previous records.

"I believe, like previous products, this innovation is going to create history in Bangladesh."

Carmakers in India urge stable policies to foster investment

REUTERS, New Delhi

After 18 months of sudden rule changes that left many carmakers scrambling, some of the industry's largest players are calling on the government to set clear, stable policies - or face the risk of delays to major investment.

India is one of the world's fastest-growing car markets, and getting more companies to manufacture in India - both for its own market and for export - is critical for the Prime Minister Narendra Modi's government, which needs to create millions of new jobs each year as the workforce expands.

Executives at automakers like Volkswagen, Hyundai Motor Co and Tata Motors say that to invest more and better, they need more stable regulation on tax, emissions allowances and electric vehicles.

The latest setback came last week, when India's cabinet approved a move to increase the maximum levy on luxury cars and sport utility vehicles (SUVs) to as much as 25 percent - less than two months after deciding on a lower rate of 15 percent as part of the new nationwide goods and services tax.

"The entire auto industry got hit by this surprise," said Guenter Butschek, managing director at Tata Motors, which owns the British luxury car brand Jaguar Land Rover. "I don't play with unlimited

resources. We need a roadmap at a much earlier stage to make sure we allocate our resources in a proper way," said Butschek.

He said the company is waiting for clarity on the electric vehicles policy before it decides on any products and strategy. Other changes that have caught automakers by surprise include a temporary court ban on the sale of large diesel cars in New Delhi last year and a tax increase for hybrid cars from July, as the government focuses on electric vehicles.

Hyundai, as a result, has dropped its plan to launch hybrid cars in India and will now look at bringing in electric cars.

"Any policy that has to be made has to be predictive, continuous and consistent," said Rakesh Srivastava, the company's director of sales and marketing.

Volkswagen said it was committed to India but also demanded a reliable framework to set its long-term strategy. "Frequent policy changes could pose a big hurdle for auto manufacturers to decide on their long-term strategies," said Dr Andreas Lauer, managing director of Volkswagen India. "This is something that affected us in the past too."

The changes are expected to dampen growth, analysts say. Consultant IHS Markit lowered its 2018 forecast for domestic car sales growth in India to 11 percent from 13 percent, and by 0.5-0.2 percentage points for subsequent years up to 2024.



REUTERS/FILE

A worker walks past parked Renault cars at its stockyard on the outskirts of the western Indian city of Ahmedabad.

China boosting Southeast Asian economies

REUTERS, Hong Kong

SOUTHEAST Asia appears to be on a roll. The Philippines is boasting the second-fastest growing economy in Asia, Malaysia has posted its best growth figures in more than two years and Thailand in more than four.

The growth is being fuelled by China, whose expanding economic presence is propping up fundamental weaknesses around Southeast Asia. It also underlines China's dominance in a region that will be under increasing pressure to follow Beijing's lead.

Even as the rest of the world feels the pinch of Beijing's clampdown on outbound capital, China is ploughing money into Southeast Asia - much of it into infrastructure projects related to President Xi Jinping's signature Belt and Road initiative. Chinese tourists are also flocking to beaches, temples and shopping malls around the region. And trade is surging.

Exports to China from Indonesia and Malaysia grew more than 40 percent in the first half of the year; from Thailand and Singapore it was almost 30 percent, and more than 20 percent from the Philippines, according to Reuters calculations. China has been investing heavily in infrastructure and property in the region and buying commodities such as rice, palm oil, rubber and coal. It is also buying electronic components and equipment from countries like Malaysia, Thailand and Singapore.

Going the other way is everything from cheap T-shirts to high-end telecommunications systems.

Welcome as all this economic activity is to the region, it could also present political problems, as countries confront China over issues such as its claims in the South China Sea, as both Vietnam and the Philippines have found.

And it raises the risk that China could apply economic pressure to get its way.

"The large rise in Asean's exports to China has increased potential vulnerabilities to geopolitical risks," said Rajiv Biswas, Asia Pacific chief economist for IHS Markit.

For a glimpse of how that feels, Southeast Asian countries could look at South Korea's experience.

The deployment in South Korea of a US anti-missile defence system that China opposed resulted in a sharp decline in Chinese tourists. South Korean companies doing business in China, like Lotte Group and Hyundai have also been hit in the diplomatic fallout.

"The South Korea example is a highlight of how the geopolitical vulnerability to

China can increase as the bilateral economic relationship expands," Biswas said.

The Philippines found itself subject to a Chinese ban on its fruit in 2012 after challenging China's maritime claims. The ban was only lifted last year as President Rodrigo Duterte adopted a friendlier stance towards Beijing.

"Any sector that you have with a big exposure - tourism inbound like Thailand, bananas outbound like the Philippines, coal from Indonesia - is vulnerable," said Dane Chamorro, senior partner and head of South East Asia at Control Risks, a global risk consultancy. "You can imagine how that would be

what they said were Beijing's excessive demands and unfavourable financing. However, Thailand's cabinet in July approved construction of the first phase of the project. There has also been popular opposition to such deals around the region, raising the stakes for leaders.

In Myanmar, a \$10 billion Chinese oil pipeline linked to the Belt and Road project sparked angry protests in May. Three years ago, the deployment of a Chinese oil rig in disputed waters in the South China Sea triggered anti-Chinese riots in Vietnam.

"The next level from here is you can see more social outcry," said Sanchita Basu

in countries like Indonesia and Philippines, which are dependent on domestic demand, even as they posted growth figures of 5 percent and 6.5 percent in the second quarter. And investment from sources other than China is slowing, as are portfolio inflows.

Indonesia, which has been lagging its regional peers, cut interest rates last month. In Thailand, where the economy grew 3.7 percent in the second quarter, the baht has been surging in recent months, putting pressure on exporters, while the Philippine peso has been weakening on concerns over the country's shrinking current account surplus.



REUTERS/FILE

Dragon dance performers ride an escalator to perform at the trading floor of the Philippine Stock Exchange to celebrate the Chinese Lunar New Year of the Rooster in Makati city in the Philippines.

pretty easy for China to stop or hinder."

Leaders of Malaysia's ruling party last year voiced concerns after Prime Minister Najib Razak secured deals worth \$34 billion on a trip to Beijing, saying it opened the door for a more direct Chinese influence on Malaysia's affairs, besides saddling the country with billions of dollars in debt.

A planned \$5.5 billion rail link through Thailand to southern China also hit resistance, with Thai critics targeting

Das, lead researcher for economic affairs at the Asean Studies Centre at ISEAS-Yusof Ishak Institute in Singapore.

"These are the checks and balances for some of these countries, especially those where leaders are elected for a specific number of years," she said. "China will be mindful of that as well."

The growing economic dependence on China is another concern for countries in the region with underlying vulnerabilities. Consumption growth has been lagging

If there was a downturn in China, it could have serious ripple effects in export-reliant countries like Thailand and Malaysia. Malaysia grew 5.8 percent in April-June. "Southeast Asian countries are becoming more dependent on China," said Jean-Charles Sambor, deputy head of EM fixed income, BNP Paribas Asset Management. An event like a sharp slowdown in China could have "a very significant spillover," he said, citing exports, financing and investment.

Pakistan's Habib Bank to pay \$225-million New York fine for compliance failures

REUTERS, Washington

The New York State Department of Financial Services on Thursday said Pakistan's Habib Bank had agreed to pay \$225 million to settle an enforcement action brought against it for infringing laws designed to combat illicit money transfers.

The DFS said in a legal filing last month it was seeking to fine the bank, Pakistan's biggest lender, up to \$630 million for "grave" compliance failures over anti-money laundering and sanctions rules at its only US branch.

The regulator said the bank, known as HBL, agreed to pay just over a third of that sum as part of a broader settlement in which it will shutter its New York branch, subject to conditions.

These include submitting to a DFS investigation of transactions processed by the branch from October 2013 to the end of September 2014, and from April 2015 through the end of July 2017.

In a statement HBL said it "remains committed to strengthening its compliance processes, operations and controls" across its 1,700 branches. Shares of HBL surged 5 percent, to 160.58 rupees per share, amid investor relief that the fine was not larger than \$225 million.

Thursday's announced settlement does not preclude further future enforcement action if the DFS investigation reveals further problems.

The enforcement action followed a 2016 review in which the regulator said it found "weaknesses in the bank's risk management and compliance" that management had failed to tackle.

The review showed HBL had failed to properly screen thousands of transactions and had processed payments for known criminals and sanctioned entities, among other failings.

"The bank has repeatedly been given more than sufficient opportunity to correct its glaring deficiencies, yet it has failed to do so," Financial Services Superintendent Maria Vullo said in the statement.

"DFS will not stand by and let Habib Bank sneak out of the United States without holding it accountable for putting the integrity of the financial services industry and the safety of our nation at risk."

HBL disclosed it was in negotiations with the DFS last month and said the potential fine and closure of its New York branch would have no material impact on its business outside the United States.

"HBL is pleased to have this matter behind it and has begun the orderly wind-down of its New York operations," Matthew Biben, a partner at Debevoise & Plimpton LLP and the bank's US lawyer, said in a statement. "HBL believes that the opportunity to resolve this matter consensually at this time is in the best interests of its investors, shareholders and customers. HBL remains committed to strengthening its operations and controls."

The DFS said a court hearing set for later this month had been canceled as part of the settlement.

Pakistani brokerage firm Intermarket Securities said the hefty fine would hurt profits and could force HBL to issue foreign-currency subordinated debt to pay the regulator