

Money laundering amounts to Tk 34,215cr in FY03

BEA general secretary says

STAR BUSINESS REPORT

Around Tk 34,215 crore has been laundered in last fiscal year (2002-03), estimated Abul Barkat, general secretary of Bangladesh Economic Association (BEA).

Presenting the estimate at a discussion in Dhaka yesterday, he said smuggling topped the list with 52.6 per cent of the total transactions in the monetary underworld in Bangladesh.

"The transactions on the black market would be to the tune of Tk 20,000 crore in the fiscal year 2002-03, and Tk 18,000 crore of the amount was transferred through money laundering," said the BEA general secretary.

Explaining the method of estimation Barkat, also a professor of economics at Dhaka University,

said it is impossible to measure the actual amount of laundered money as the flow is unregulated, untaxed, unmeasured and undocumented.

"I have estimated the amount by talking to persons dealing with related matters," Barkat said speaking at the discussion meeting on "Money Laundering: Bangladesh Perspective and Differences in Views" at the BIAM auditorium.

Bangladesh Young Economists Association (BYEA) and Bangladesh Institute of Administration and Management (BIAM) organised the meeting.

Dr Toufiq Rahman Chowdhury, chairman of Metropolitan University in Sylhet, and Mazharul Hasan Mazumdar, teacher of Business Administration of Shahjalal University of Science and Technology, jointly presented the

keynote paper.

Quazi Kholiuzzaman Ahmad, president of Bangladesh Economic Association, Matiur Rahman, editor of The Prothom Alo, CM Koyes Sami, managing director of The Oriental Bank Ltd and Zahiduzzaman Faruq, editor of The Daily Arhaniti also spoke.

According to Prof Barkat, foreign remittance worth about Tk 7,200 crore, or 21 per cent of the total money laundered, were transferred through illegal channels.

Tax evasion through over- and under-invoicing accounted for Tk 1,155 crore while individual and corporate tax evaders laundered Tk 450 crore.

Roughly Tk 2,400 crore of bribed money was also laundered, which was seven per cent of the total amount.

Some 80 per cent of the Tk 1,200 crore spent abroad for treatment was transferred through hundi, which is also the best means of taking currencies out for education, pleasure trips and other overseas expenditures, Barkat said.

According to the keynote paper, Anti-Money Laundering Act 2002 passed last year is not enough to check illegal transactions. "Stringent law and its effective implementation are required for it," Dr Toufiq Rahman Chowdhury said.

Prothom Alo Editor Matiur Rahman said the government has so far failed to ensure punishment to those behind the 1996 share scam, which gives a message to people, related with black business that the act is beyond punishment.

Bank holiday on Sunday

BSS, Dhaka

Bangladesh Bank (BB) and all scheduled banks of the country will remain closed on Sunday on the occasion of Durga Puja, a BB press release said here yesterday.

Mercantile Bank cuts lending rate

Mercantile Bank Limited has recently slashed its lending rate by two per cent to three per cent.

The bank reduced the lending rate to create a congenial and investment friendly environment in Bangladesh, says a press release. The bank also adjusted its interest rate on deposit and various schemes.

Bank Asia, Placid NK sign deal

Bank Asia Ltd and Placid NK Corporation of USA have recently signed an agreement for inward foreign remittance service.

Under the deal, non-resident Bangladeshis may now send their money to their relatives anywhere in the country within a short time at minimal cost.

Bank Asia Executive Vice-president Irteza Reza Chowdhury and Placid NK Regional Director for South Asia AMM Farhad signed the agreement on behalf of their companies, a press release says.

Bank Asia President and Managing Director Syed Anisul Huq was present at the signing ceremony.

Citigroup most profitable company: Wall Street Journal

The Wall Street Journal has recognised Citigroup, holding company of Citibank NA, as the world's most profitable company with a net income of US \$15.28 billion in 2002.

The journal published its rankings of the world's 100 largest public companies recently, says a press release.

Citigroup was also rated second (by assets) in the 'World's 100 Largest Public Financial Companies' with an asset size of US \$10128 trillion.

Ranked by market value as of August 29, 2003, Citigroup achieved sixth position overall, the release said.

India to sign draft economic agreement with Asean

AFP, New Delhi

India will sign a draft economic agreement with Southeast Asian countries as a precursor to a sweeping free trade pact during a regional summit to be attended by Prime Minister Atal Behari Vajpayee in Bali, the government said Thursday.

Foreign Minister Yashwant Sinha said India wanted to boost trade with the 10-member Association of Southeast Asian Nations (Asean) as part of a new "Look East" policy.

"The new phase of this policy is characterised by an expanded definition of East, extending from Australia to East Asia, with Asean as its core," Sinha said in comments carried on a government website.

"It is matter of great satisfaction to us that the framework agreement for this purpose has been finalised between India and Asean and will be signed at the second India-Asean summit at Bali in a few days.

"This major breakthrough should contribute significantly to an increasing integration of the India-Asean economic space over the coming years, including a free trade agreement."

On September 4, Indian and Asean economic ministers met in New Delhi to finalise the draft of the economic cooperation agreement to be signed at Bali.

India and the Asean nations are aiming to increase trade from the current annual level of 10 billion dollars to 15 billion dollars in the next two years and then to 30 billion dollars by 2007.

Sinha said that India and Asean countries should also expand economic cooperation to security issues such as joint protection of sea lanes and countering terrorism.



Abdul Khaleque Mollah joins plastic body parts of motor vehicles in traditional way in Dhaka court area. He earns Tk 150-200 a day.

PHOTO: AKM MOHSIN

Dhaka to start preparation for Gevena talks

Khosru tells ERF-CPD dialogue

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In the wake of the collapse of Cancun world trade negotiations, Bangladesh is preparing for the official talks in Geneva by December 15 this year and the next ministerial meet in Hong Kong in 2005.

Against the backdrop of widespread criticism that Dhaka went to Cancun with wrong agenda and failed to look after its own interests, Commerce Minister Amir Khosru Mahmud Chowdhury said Bangladesh instead achieved successes at the global trade talks.

"We are getting ready for the next round of the official-level trade talks in Geneva," said Khosru while speaking as chief guest at a dialogue on "Cancun WTO Ministerial: An Ex Post Assessment" at the city's CIRDA Auditorium yesterday.

The Centre for Policy Dialogue (CPD) and Economic Reporters' Forum co-organised the dialogue. The commerce minister as chief guest and former commerce and industries minister of the past Awami League government Tofail Ahmed as special guest attended the dialogue chaired by M Sayeeduzzaman, former finance minister and member of the Trustee Board of the CPD.

"The Dhaka Declaration was the basis of our negotiations at the trade talks and we were very successful at Cancun," Khosru said.

He said Bangladesh's first concern was getting access to the developed countries' market, which was incorporated in the Dhaka Declaration earlier as the priority agenda for the least developed countries (LDCs).

The free movement of natural persons was second on the agenda in the Dhaka Declaration although many Sub-Saharan and African countries were not interested in it, and the third was agricultural subsidy.

All these issues were incorporated in the draft text of the ministerial declaration, which was a recognition to the Bangladesh's concerns,

he said. "The way the draft text came at Cancun was a great achievement for Bangladesh," he said adding, "The text is going to be used as a reference in all future trade talks, including the next meeting in Geneva."

The commerce minister observed that the cotton issue was not a concern of Bangladesh. "It was taken as a humanitarian issue instead of a trade issue at the WTO ministerial," he said.

Khosru also emphasised capacity building for future trade negotiations. "The government has set up the Bangladesh Foreign Trade Institute (BFTI) to take care of capacity building of both public and private sectors in the country."

He said all future commercial counsellors who will be working at the Bangladesh missions abroad would be trained at the BFTI. "If the government is satisfied with their performances, they will get appointment as commercial counsellors."

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Raise financial support for SMEs to spur rural economy

BEA workshop urges govt

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Speakers at a workshop yesterday urged the government to increase financial support for small and medium enterprises (SMEs) to help take off rural economy.

They said due to lack of support traditional cottage industries in rural areas are on the verge of ruins. Though SMEs are replacing cottage industries in villages, they cannot flourish due to lack of financing, they said.

SMEs are using technologies which ensure quality and cost

effectiveness, they said at a workshop of Bangladesh Economic Association (BEA) organised for journalists.

The speakers said SMEs have a potential to invigorate economic development in rural areas and also contribute to diversify export basket of Bangladesh.

Addressing the workshop split into five sessions, MA Sattar Mandal, professor of Agricultural Economics of Bangladesh Agricultural University, said besides farm sector non-farm sector needs to be promoted to boost rural economy.

Quazi Kholiuzzaman Ahmad, president of BEA, Abul Barkat, general secretary of BEA, Sayed Abdul Hye of Economics Department of Jahangirnagar University, Zahirul Islam Sikder of Dhaka City International University, AKM Shameem, senior vice-president of Mutual Trust Bank and Gulam Murtaza, general manager (Research Department) of Bangladesh Bank, conducted different sessions of the day-long workshop held at Bangladesh Institute of Administration and Management (BIAM).

EU backs multi-billion investment, growth plan

REUTERS, Brussels

The European Commission unveiled an ambitious drive Wednesday to boost the European Union's anaemic growth by stimulating public and private investment in priority transport networks and research projects.

But some economists voiced scepticism, questioning whether the plan tackled the 15-nation bloc's real economic weaknesses.

Commission President Romano Prodi said a sustained increase in public investment by one per cent of gross domestic product could boost growth in the European Union by 0.6 to 1.0 per cent a year, but declined to specify over which period of time.

Completing 29 projects worth 220 billion euros (\$257.8 billion) by 2020 could lift EU growth by an annual 0.23 per cent long term, and

extra research spending could create 400,000 new jobs a year, most at a "high brain level," he said.

Some of the transport plans were nominated for extra EU spending in the past and three of those on the list have been completed, including the Oresund bridge linking Denmark to Sweden. But Prodi said a much greater effort was needed.

"We need now to make an additional effort to put our money where our words are," Prodi told a news conference.

"What we are proposing today is a roadmap for action."

The plan bears a striking resemblance to a 1994 EU-wide public works scheme designed by former Commission President Jacques Delors, which Prodi acknowledged had floundered because of red tape, lack of funds and a failure to prioritise.

"I am fairly sceptical that this will lead to anything," said Holger Schmieding, co-head of European economics at Bank of America in London.

"I don't think infrastructures are the bottleneck for the EU. Much more important for the EU are the structural reforms. My idea of a fiscal stimulus is rather to have tax cuts and let people choose how to spend their money," he said.

The initiative is to be discussed at a meeting of EU leaders in Brussels on October 16-17.

Like a similar proposal by the EU's Italian presidency, the Commission's initiative is weighted towards promoting major cross-border transport projects and less specific on action for research and development, which Germany and France would prefer.

China's vehicle production to top 4m units in 2003

AFP, Beijing

China's vehicle production -- covering everything on wheels from sedans to tractors -- is expected to top four million units for the first time ever this year, state media reported.

The figure, based on estimates by unidentified economic officials, will be up from 3.25 million units last year, the Xinhua news agency said.

In the first eight months of the year, vehicle production hit 2.73 million units, up 36 per cent from the same period in 2002, according to Xinhua.

Analysts have cautioned that the auto sector could be building up major problems for itself because of excessive investment in new production facilities.

Japan may raise borrowing limit

AFP, Tokyo

Japan may raise the legal limit on its borrowing to finance its massive dollar-buying operations, a finance ministry official said Thursday, while currency dealers said they suspected renewed intervention by Japanese authorities determined to rein in the surging yen.

The Bank of Japan appeared to have stepped in to buy dollars on Thursday, dealers said, after the US Federal Reserve intervened on Japan's behalf in New York on Tuesday -- the first confirmed intervention since the Group of Seven (G7) nations called on governments to allow more flexible foreign exchange markets earlier this month.

The G7 statement, reflecting the US position, was taken at the time to be aimed at Asia generally and at Japan and China in particular over intervention to keep the value of their currencies low in a bid to boost exports.

Japanese officials declined to comment on Thursday's suspected action.

IMF still needed in Asia, says Indonesia

AFP, Singapore

The International Monetary Fund (IMF) will remain just as influential in Asia even after countries pay off their debts to the institution and exit its fiscal programs, Indonesia's top economic minister said here Thursday.

Indonesia's Coordinating Minister for Economy, Finance and Industry Dorojijatun Kuntjoro-Jakti told a news briefing that Indonesia's membership of the IMF was as important as its membership in the United Nations.

Asked if he saw the influence of the IMF waning: "I don't see so because what is the replacement?"

Kuntjoro-Jakti said Indonesia must be prepared to borrow money again from the IMF if the nation was thrust into another financial crisis.

"We know very well from the textbook and business cycles that this thing can happen again ... so we must be ready," he said.

The Washington-based IMF mustered a multi-billion-dollar aid package to help bailout East Asian economies hammered by the financial crisis that swept the region in 1997 and 1998.

BB seeks progress report on downsizing PCB boards

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Suspecting reluctance from the private commercial banks (PCBs) in downsizing their boards of directors, the central bank has directed them to report on progress they have made in this respect.

The PCBs have been asked to inform the Bangladesh Bank (BB) within seven days about the steps so far taken to implement the central bank directive to make PCB policymaking board a maximum 13-member body.

The central bank in circular yesterday asked for relevant documents bearing signatures of the chief executive officers of the PCBs.

On April 26 this year, the central

bank issued a circular directing the PCBs to slim down their board. It also directed that the directors who already served for six years in two consecutive terms would not be able to retain their directorship.

The central bank asked the private banks to bring the changes in their next annual general meetings. But sources at the central bank said a number of banks have resorted to various tricks to avoid compliance with the circular.

Some directors of a bank managed to obtain injunctions from lower courts in their favour so that the annual general meetings could not remove them. "Another bank postponed the AGM several times," a senior BB official said.

In the latest circular issued yesterday, the central bank said it wanted to see papers and documents in support of the PCBs' claim that they have taken steps to comply with the earlier directive of the central bank.

Another senior BB official said the central bank would take actions against banks for non-compliance of the order. "We may even suspend board of a bank if we find negligence on their part," the official said.

Only four banks have so far downsized their boards in line with the order of Bangladesh bank, he said.

BB publishes report on interest rates of banks

STAR BUSINESS REPORT

Bangladesh Bank yesterday made public its first monthly report on interest rates on lending and deposits of all scheduled banks as per a decision to regularly publish such a report for the convenience of clients and investors.

The report contains two separate charts of interest rates on lending and deposits of 49 nationalised, private and foreign banks and development financial institutions (DFIs) effective for the month of October.

The central bank, which prepared the charts based on statistics from banks and DFIs, said there are divergences in interest rates for

various loans and deposits as the scheduled banks independently determine their own rates.

So the publication of monthly report containing cumulative averages of rates fixed for loans and deposits will be helpful to the general public, said a BB official. "This will keep the people up to date on the rates and help them chose banks."

"This decision has been taken to foster competition between commercial banks and put indirect pressure on them to bring down lending rates," said a BB official.

According to the report, lending rates of nationalised commercial banks (NCBs) for agriculture sector are five to 10 per cent, term lending

rates nine to 10.5 per cent, commercial lending rates 14.5 to 15 per cent and rate on working capital 13 per cent.

For private commercial banks (PCBs) lending rates for the agriculture sector are nine to 14.5 per cent, term lending rates 13 to 15.5 per cent, commercial lending rates 11 to 16 per cent and interest rate on working capital 13 per cent.

Foreign banks (FBs) maintain an interest rate of 10.5 to 15 per cent for term lending, 8.25 to 15 per cent for working capital and 8.5 to 16 per cent for commercial lending.

Deposit rates are 4.5 to 7.25 per cent in NCBs, 4.75 to 12 per cent in PCBs, and 5 to 10.75 per cent in FBs.

Asean to adopt new charter to speed up integration

AFP, Manila

Asean leaders are to sign a new charter next week based on the three pillars of economic integration, security and social development in a move they hope will bind the grouping more tightly together.

The "Declaration of Asean Concord II" will reinforce the three elements of cooperation included in the first document adopted at the grouping's maiden summit in Bali in 1976.

At the same Indonesian resort, the leaders of the 10 member states of the Association of Southeast Asian Nations (Asean) will sign the new blueprint, popularly known as Bali Concord II, in a fresh bid to accelerate regional identity building, officials say.

The new charter refers to an Asean community with "three pillars": the Asean Economic Community, the Asean Security Community and the Asean Social Cultural Community.

"These will be the legs that the Asean community will stand on and move in the coming years," said Sundram Pushpanathan, Asean's head of external relations.

But he stressed that the Asean community would not be inward looking or erect barriers to trade and investment.

"The Bali Concord II will underline that the Asean community will not be a 'Fortress Asean' and that Asean will work to engage its dialogue partners and others actively, and pursue economic linkages in keeping with its outward looking orientation," he said.

Asean spokesman M.C. Abad said the Bali Concord II embodies the new generation of Asean leaders and ideas responding to the new realities, opportunities and challenges facing Asean today.

The grouping was founded in 1967 as an inter-governmental organization, not a community of regional states.

"For the first time, the concept of an Asean community will become part of the Asean lexicon," Abad said. "So it is a paradigm shift and this will accelerate regional integration and identity building among the peoples of Southeast Asia."

Analysts say the move comes at a critical period for the region facing competition and economic difficulties and fighting an uphill battle against terrorism.

Once the world's largest economic growth area, Southeast Asia is still struggling to emerge from a financial crisis that devastated the region in 1997/98. Investments to the region have also slowed.

"Asean knows that it is stalled,"

said Carolina Hernandez, chairman of the Philippine Institute for Strategic and Development Studies.

So, Indonesia, the largest Southeast Asian nation and host to the upcoming ninth Asean summit, wants to reassert its leadership and revitalise Asean, she said.

"Indonesia wants to lead this initiative of an Asean community so that this will move Asean once again. But we have to find out how the three legs will fit together," Hernandez said.

The Asean Security Community is a comprehensive framework for political and security cooperation, including providing mechanisms to resolve conflicts among member states and giving more emphasis to "non traditional security issues," like terrorism.

"It is not a military bloc or a political union in the making," said Pushpanathan.

Under the Asean Economic Community concept, the group comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam aims to achieve a single market of 530 million people in 17 years.