

Dhaka, Delhi renew inland water transit protocol

PALLAB BHATTACHARYA, New Delhi

India and Bangladesh on Tuesday renewed the protocol on inland water transit and trade for movement of vessels between the two countries.

The renewed protocol, which was originally signed in 1972, would remain in force till March 31, 2009.

The agreement, facilitating movement of inter-country trade and transit cargo, allows inland vessels of India and Bangladesh to ply between Kolkata-Pandu, Kolkata-Karimganj and Rajshahi-Dhulian and Karimganj-Pandu.

"The protocol has been instrumental in increasing the volume of trade by inland water transportation between the two countries by nearly 13 folds in the past decade", said Indian Shipping Secretary A K Mohapatra.

The two governments also discussed the need for inclusion of additional stretches, additional ports of call and better river conservation work to strengthen inland water connectivity.

Road show on Nepalese tourism held

STAR BUSINESS REPORT

Nepal Tourism Board organised a road show in Dhaka on Sunday with a view to promoting its tourism destinations in Bangladesh.

The show held at Hotel Sarina was participated by around 120 persons representing various corporate sectors, media, and travel traders.

The programme focused on the recently launched 'Nepal's new Tourism Brand' and 'Visit Pokhara Year 2007' announced by Nepal Tourism Board, said a press release.

Ramesh Prasad Khanal, the Nepalese acting ambassador in Dhaka, elaborated the tourism attraction of his country at the function and also informed that his government was considering easing the visa formalities for group tourism as well as for the tourists entering Nepal crossing India.

Hasan Mansur, president of Tour Operators Association of Bangladesh, and Binay Prakash Shrestha, director of the Nepal Tourism Board, were also present in the show.

Local firm wins \$4.25m order to build tug boat for Singapore

Bond system to spur shipyards growth suggested

RAFIQ HASSAN

A Bangladeshi shipyard has won a \$ 4.25 million order to build a powerful tug boat for a Singapore based company, again testifying to the potential of the local ship building industry at a time when Chinese and South Korean yards are losing interest in producing small ocean-going vessels.

A formal agreement, worth around Tk 30 crore, was signed between the Western Marine Shipyard at Chittagong and Maroci Lines Private Limited of Singapore to construct the 4,800 horse power anchor handling tug supply vessel, sources said.

Managing Director of Western Marine Shipyard Sakhawat Hossain signed the agreement during a meeting in Singapore on April 27. The tug will be constructed in one year with the internationally renowned classification society Germanscher Lloyd supervising the construction work.

The same company earlier won an order worth \$11 million to construct a 26,000 tonne capacity ship for a buyer in Europe and last month Ananda Shipyard's Shipways (ASSL) at Meghnaghat received an export order from German companies of around \$100 million for constructing eight ships.

Bangladesh has become a new destination for companies seeking construction of small ocean-going vessels as traditional ship-building nationals, such as South Korea and China, are now focusing on bigger ships.

Talking to The Daily Star, Sakhawat Hossain said the ship builders were also looking for new construction places, as South Korea, China and Vietnam have no capacity to take new orders. All the shipyards in those countries are fully booked until 2010, he said.

At least one hundred such orders are waiting now in Singapore, he told The Daily Star

saying that only a few orders are arriving in Bangladesh as the country lacks large-scale ship building facilities.

The government's tight export-import policies are also a major barrier for a flourishing shipbuilding industry in the country, he said.

"If the government provides back to back letter of credit facilities to the ship building industries, hundreds of shipyards would be set up in the country within a few years earning billions of dollars of foreign currency," he said.

Steel is the main raw materials for shipbuilding on which the government charges 40 per cent custom duty. As a result, building a ship here becomes costlier, he said.

In order to develop shipyards and provide employment to thousands of workers, the government can provide facilities under a bond system as is being done in the garments sector, Sakhawat said.

Taiwanese trade mission due tomorrow

A trade mission of 30 Taiwan delegates will arrive in Dhaka tomorrow on a three-day visit to conduct business meetings with their Bangladeshi counterparts.

The mission organised by Taiwan External Trade Development Council, a trade promotion organisation, aims to build business ties with enterprises in Bangladesh, says a press release.

During their visit here, a range of selected Taiwanese products will also be put on display at the Pan Pacific Sonargaon Hotel.

The Taiwanese mission to Bangladesh will be a unique opportunity for the local business people to meet and seek joint investment and trade cooperation with their Taiwanese counterparts, the release added.

Korean group to invest more \$6.5m in DEPZ

UNB, Dhaka

M/s Savar Dyeing and Finishing Industries Limited, a sister concern of South Korean Youngone Group, will expand its project in Dhaka Export Processing Zone (DEPZ) with an additional investment of US dollar 6.5 million.

As a result, the total investment will stand at US\$ 13 million, said a DEPZ press release.

This company will also create new job opportunity for 250 Bangladeshi nationals. Now 400 Bangladeshi nationals are working in the unit.

An agreement to this effect was signed between the Bangladesh Export Processing Zones Authority and M/s Savar Dyeing and Finishing Industries Limited in Dhaka on Sunday.

Venezuela to quit IMF, WB

AFP, Caracas

Venezuela is set to quit the World Bank and the International Monetary Fund in a move announced by firebrand President Hugo Chavez as Latin American countries become increasingly wary of the two institutions.

"We are going to withdraw... and let them pay back what they took from us," Chavez said in a televised message broadcast on Monday.

Western Union plans cut in charges, service expansion

Company's South Asia top official tells The Daily Star

JASIM UDDIN KHAN

Western Union (WU), the world's leading money transfer company, plans to cut its charges and expand its services to remote destinations in Bangladesh, the company's regional head said on a recent visit to Dhaka.

In an exclusive interview with The Daily Star Anil Kapur, Managing Director, South Asia, said the company's ambition was to grow so that a WU agent would be within a kilometer of nearly all Bangladeshis.

"Bangladeshi remittance recipients still need to walk 10 to 12 kilometers to receive their money through banks. We want to reduce the distance to within one kilometer," Anil Kapur said while he was staying in the city during a brief visit to Bangladesh.

"Banks have been in the money transfer business for many years and there is a huge segment that is not in the proper channel, where people are transferring through informal channels. We are helping people move from the informal channel to formal channels," the US based executive said.

Kapur said one advantage of sending money by WU compared to a bank was speed. "If a non-resident Bangladeshi sends money to any district, the recipient can receive it within 15 minutes of sending."

"The process is very simple as the sender and the receiver do not need to have a bank account. Any person living outside Bangladesh can send money by using his identity cards," he said.

Currently there are 1,200 agent locations of the WU in operation in 64 districts and in 450 upazillas in Bangladesh, up from 550 a year ago, he said, adding that after May 2 the company will add 300 more agents.

"Bangladesh is a very important market to us. Last year non-residence Bangladeshis sent about \$5.5 billion in remittance. Our vision is that Bangladesh should have a WU presence on every corner of the country. We are talking with many key financial institutions to expand the networks and hopefully you will see some new agents soon," he said

WU is a listed company on the New York Stock Exchange (NYSE) and its global market share in money



Anil Kapur

transferring was 17.4 per cent in the last year.

He said US\$ 269 billion was transferred as remittance around the globe last year with WU handling \$47 billion.

One of the biggest challenges is affordability, he admitted. "We were a very expensive premier services three or four years ago. We used to charge \$39 to transfer \$1000 from the USA to Bangladesh, now we charge only \$15."

"From the Middle East we charge \$7 for \$1000, but the bank demand draft is still cheaper than us. Our mission is to make our services affordable to all Bangladeshi people," he added.

The WU has 305,000 agent locations throughout the world, he said, adding that in Bangladesh National Bank Limited, Brac and Brac Bank Limited, Dutch-Bangla Bank Limited (DBBL), Arab Bangladesh Bank Limited and Southeast Bank Limited are the current legal agents for operating money transfer activities through the WU channel.

Asean economic ministers meet today

AFP, Singapore

Southeast Asian economic ministers will meet in Brunei on Thursday and Friday to discuss progress on efforts to establish an economic community by 2015, the Singapore government said Wednesday.

The Association of Southeast Asian Nations (Asean) ministers

will also meet with European Union Trade Commissioner Peter Mandelson and Japan's Economy, Trade and Industry Minister Akira Amari, it said.

In a statement, Singapore's trade ministry said the ministers are expected to focus discussions on the progress of Asean efforts to establish a unified market by 2015.

"In particular, ministers will discuss Asean's blueprint for realising an Asean Economic Community by 2015, a document to be endorsed at the Asean Summit in Singapore in November this year," it said.

Apart from meeting among themselves, the Asean ministers will also meet as a group with Mandelson and Amari.

Combating financial crimes in Bangladesh

MAMUN RASHID

What is a financial crime?

There is no internationally accepted definition of financial crime. Rather, the term expresses different concepts depending on the jurisdiction and on the context. In general, financial crime can refer to any non-violent crime that results in a financial gain to the perpetrators and loss to others or the state. It includes a range of illegal activities such as:

- corruption (bribery, speed money, kickbacks etc.)
- financial fraud (accounting, check, credit card, mortgage, insurance fraud, counterfeit notes, securities or investment fraud, computer fraud etc.)
- money laundering
- tax evasion
- circumvention of exchange restriction
- illegal cross border fund transfer or capital flight
- abuse of the financial system/institution etc.

Financial crime in Bangladesh

Bangladesh is considered to be a safe haven for financial crime. The relatively large informal economy compared to the formal one as frequently reported in various independent reports is a testimony of that. Hundi or a black market money exchange (also known as hawala) is the mode used for cross border fund transfers. The two major global financial hubs Dubai and Singapore are known to be the most popular centres for hundi settlements. A portion of the wage earners income is the primary source for financing all payments through hundis, while over-invoicing or holding of various commissions/fees abroad are also being discussed as sources. Our most prominent financial crimes are:

Corruption- Abuse of public power or position for personal gain or for the benefit of a group to which one owes allegiance.

Tax evasion- Remaining out-

side the tax net, non-disclosure of actual income, non-payment of income tax, underhand agreement with the tax authority, gross abuse of the tax holiday provisions may be mentioned under this category. The provision of payment of a low rate of tax that legalises any income without a need to declare source has been considered and criticised as a crime-friendly environment. Purchase of property and investments in the capital market may also be done without declaring the source of income. Under-invoicing of dutiable imports also deprives the government from the due revenues.

Loan defaulting- Intentional defaulting, siphoning off money from the ventures for which the loan was taken, etc.

Accounting fraud- Concocting books of accounts, making different books for different constituencies (tax authority, banks, shareholders, etc.), amalgamating personal and company/business financials, etc.

Regular fraud- Pyramid savings schemes, misleading overseas job seekers (recently local job seeking has also come under the net). Counterfeit notes are also areas of concerns.

Capital flight- Use of over invoicing and hundi to transfer money, front companies to retain portions of export proceeds, overseas accounts to get commissions/ kickbacks/ bribes. It is frequently made that a good number of Bangladeshis has been obtaining foreign nationality or residence under investor category!

Smuggling- An estimated amount of US Dollar 1 billion worth of dutiable goods are smuggled each year from India alone.

Use of financial institutions in financial crimes

A financial institution involved in a financial crime can play one of the three roles: (i) perpetrator, (ii) victim, or (iii) knowing or unknowing vehicle of crime. Of these, the most common is when the financial institution is a victim of fraud

and when it is used as an instrument/vehicle for money laundering. Financial institutions that include both banks and non-bank financial institutions may not always be used for financial crimes. This is more so in Bangladesh since our informal economy is very large and it is a predominantly cash transaction based (not leaving any records).

However, the financial institutions cannot shy away from their responsibilities. They are one of the conduits used. They do not do (1) adequate KYC (know your customer) due diligence in accepting a customer, (2) be reasonably satisfied about the legitimacy/ legality of the source and use of funds, (3) conduct continuous review of customer's transactions. In case of trade (especially import and export), banks deal in documents only. Interestingly enough, they do not check invoice prices against the market or why the LCs for the same goods has large variation in unit price.

Economic effects of financial crimes

Bad money can gradually drive away the good money. A market dominated by ill practices result in difficulty for the genuine business entities. A company evading tax has a lower product cost through which it can drive away the genuine business person which has higher product cost. At an individual level, proceeds of this crime bring extra money to the hands of the undeserved. People with larger amounts in hand go for property acquisition and spending and/or savings overseas. These have multiple negative consequences to the economy. Some of the people become entrepreneurs and hike the entry barriers, crowding out the true entrepreneurs who would otherwise have created real value to the economy.

There are other negative macro-economic consequences. For example, it could compromise bank soundness with potentially large fiscal liabilities, lessen the ability to attract foreign investment, and increase the volatility of

money flows and exchange rates. In this era of technological developments in almost all aspects and very high capital mobility, financial crime makes national tax collection and law enforcement more difficult. Financial system abuse, financial crime, and money laundering may also distort the allocation of resources and the distribution of wealth and can be costly to detect and eradicate.

Combating financial crimes - Current situation

Bangladesh Penal Code, Foreign Exchange Regulations Act, 1947 (FERA), Income Tax Ordinance, 1984, Money Laundering Prevention Act, 2002 (MLPA) and Anti-Corruption Commission (ACC) Act, 2004 are laws to prevent such crimes. While there is always room for improvement in the legal framework, the blame cannot be put squarely on that. It's the implementation of the laws that leaves a lot to be said.

• We do not have a functioning Financial Intelligence Unit (FIU) that can collect information, the capability to analyse the same, and identify specific cases and trend of money laundering and other financial crimes. The existing FIU under Bangladesh Bank is not recognized by the Egmont Group, the international forum of FIUs. Hence it cannot sign information sharing agreements with any foreign FIU.

• Our investigative agencies are not well equipped in knowledge and procedures to investigate financial crimes/corporate corruptions and file cases.

• Our prosecutors and the legal system lack understanding of the complexities involved in financial crimes.

• Lack of know-how, interagency cooperation and inbuilt corruption within the agencies has resulted in a virtual free reign for the perpetrators.

heroes or royalty.

- No history of exemplary punishments.

At present only banks are submitting suspicious transaction reports to Bangladesh Bank. There is no whistle blower or safe heaven provisions for the people reporting a crime. There have been cases where investigative agencies have haunted the reporting banks and its officials as if they have committed the crime. Penalties are imposed only to the non-compliant bank where the highest penalty is Tk. 100,000 fine. ABN Amro, a globally reputed European bank has recently been fined USD 500 million by the US Government for money laundering case. At least two Russian banks have lost their banking license during the last twelve months for the same.

Actions for keeping money and wealth outside Bangladesh

As Bangladesh is not a member of Egmont Group, neither it would be possible to get information nor the money. The government could do the following:

1. Use the accountholder to repatriate the funds remitted illegally.
2. Confiscate account related documents and use as evidence in legal proceedings.
3. In case repatriation is impossible, we could attempt to ensure that the funds cannot be used by the concerned criminal. Almost every country has an anti money laundering law. We could:
 - a. Approach the governments and international bodies to freeze the accounts and return the money to Bangladesh.
 - b. Advise the bank that the person is ineligible to maintain account/ wealth outside Bangladesh and the funds with

them is a result of crime done under money laundering, foreign exchange regulation, etc. laws of Bangladesh.

4. In the cases where we are unaware of the money/ wealth kept overseas, give the holder a chance to bring back the same. Provide a one-time amnesty to people to declare their overseas accounts and wealth, bring back the same, explain sources and pay necessary taxes. Confiscate the money where law necessitates.
5. Frequent media advertisements that resident Bangladesh nationals are not entitled to keep account/ wealth outside Bangladesh.

Concluding thoughts

Charity begins at home. Each one of us need to wake up, look at ourselves, realize how we are initiating or engaging in a financial crime knowingly or unknowingly, and

take steps to prevent it. Moral standard of our society is not very encouraging. Our children learn how extra profit can be made by mixing water with milk, how one can have a laugh by making a fool of another or sidestepping promises. As an economy we need to put strict control on the size of cash transactions, improve the availability of information, and stop the schemes to legitimise proceeds of crime without declaring source. Otherwise, combating financial crime:

- would remain a subject of discussion in intellectual forums and seminars, and
- once in a decade or two would become a hot topic for cleaning up the society of its woes (or an instrument of witch-hunt) giving minimal results as the initial fervor dies down soon on the face of stark reality.

The writer is a banker