

# Follow the money: how Hong Kong helps outflow of Chinese cash



Pedestrians walk past a money exchange business in Hong Kong.

AFP, Hong Kong

The Panama Papers leak has put the spotlight on Hong Kong as a hub for setting up offshore firms, with much of the money flowing through the city coming from mainland China. Revelations Thursday that more than 16,300 of Panamanian law firm Mossack Fonseca's active shell companies were incorporated through its Hong Kong and China offices -- 29 percent of the worldwide total -- show the lengths to which wealthy Chinese people will go to safeguard their money and flout domestic currency controls. Hong Kong is a key cog in the process due to its proximity and financial freedoms. "Chinese are moving the money offshore because the economy is

slowing," says Andrew Collier, managing director of Hong Kong-based Orient Capital Research. "The property market in many parts of the country is collapsing... and there's concern about the anti-corruption campaign and the impact that may have on the safety of capital in China," he adds. Here are some of the ways that Hong Kong plays a role in shipping that money out: One way to generate income outside the mainland is to falsify trade and service invoicing, analysts say. By underpricing goods exported through Hong Kong or overpricing those they import through the city they can generate extra cash to be syphoned off into offshore accounts set up in the city. "A lot of people say there's huge

false invoicing of trade goods between China and Hong Kong, and Hong Kong is being used as a way-station to get capital out of the country," says Collier.

Chinese companies will also apply for foreign exchange at domestic banks for a purchase, but overstate the amount they need, he adds. The extra can then be moved into offshore account.

"It's very hard for a bank to work out which invoices are correct and which are not," says Collier.

The amount of capital moved out of China is limited to \$50,000 per person a year, but funnelling more into secretive offshore accounts is made easy through Hong Kong, says shareholder activist David Webb.

He says the city lacks full transparency in both its companies registry and stock exchange, partly because it does not want to lose Chinese business.

"They've adopted this 'don't ask don't tell' policy, knowing there's a huge amount of corruption in mainland China where a lot of the business comes from," says Webb of the exchange.

"They're worried (more controls) would reduce the amount of business and the attraction of listing in Hong Kong." China caps the amount of cash tourists can take abroad to 20,000 yuan (\$3,090) in local currency and the equivalent of \$5,000 in foreign currencies.

Earning a commission for taking money across the border from China to Hong Kong, "money mules" strap bundles of notes to their bodies to try to duck customs, or hide it in luggage.

Cheques are easier to get in, and underground banks in China can issue them in a foreign currency in exchange for yuan.

Md Mehmood Husain, president and managing director of Bank Asia, receives "Best Partner Bank of International Finance Corporation (IFC) in South Asia Region" award from Anurag Mishra, Asia Pacific region's head of the IFC for global trade and short-term finance, at the IFC's seventh Global Trade Partners Meeting, in Milan, Italy.



BANK ASIA

# Cash-strapped Sri Lanka looks to restructure \$8b China debt

AFP, Beijing

Sri Lanka's prime minister will seek to restructure some of the cash-strapped island's \$8 billion Chinese debt, Colombo said Thursday, as he met his Chinese counterpart in Beijing.

As it faces a spiralling debt crisis that has forced it to seek a bailout from the IMF, Sri Lanka's government is hoping to convert some of its loan burden into stakes in infrastructure projects.

Prime Minister Ranil Wickremesinghe also hopes to resolve a dispute over a \$1.4 billion Chinese-built "Port City" in the Sri Lankan capital, State Enterprise Development Minister Eran Wickramaratne told reporters in Colombo.

The premier will seek to negotiate a \$125 million government compensation claim from a Chinese firm over delays to the massive land reclamation project, Wickramaratne said.

The project represents the biggest

single foreign investment received by the island and will add 233 hectares (575 acres) of real estate in the congested capital.

But it has been controversial as Beijing has been accused of seeking to develop facilities around the Indian Ocean in a "string of pearls" strategy to counter the rise of rival India and secure its own economic interests.

Sri Lanka's president suspended the plan shortly after taking power in January last year, before recommending last month that it be resumed.

Chinese foreign ministry official Xiao Qian told reporters after a meeting between Wickremesinghe and China's Premier Li Keqiang that both sides agreed to "speed up" the project.

"On the Chinese side, we hope to see the earliest possible resumption. We believe we won't have to wait too long," he added.

The two also agreed to "give prior-

ity" to the construction of an industrial park at Hambantota Port, he said, without giving details.

During his Beijing visit, which ends Saturday, Prime Minister Wickremesinghe will seek investment to revive loss-making white elephant projects commissioned by former strongman president Mahinda Rajapakse.

Rajapakse relied heavily on Chinese financing to rebuild the country's infrastructure after the end of the island's decades-long ethnic war in May 2009.

But the present administration has accused the previous government of agreeing to unfavourable terms for the loans.

President Maithripala Sirisena's government temporarily halted all projects signed off by Rajapakse, who is under investigation over allegations of corruption during his decade in power.



UNDP Bangladesh's Deputy Country Director Nick Beresford and BSRM Group Chairman Alihussain Akberali attend a deal signing ceremony at the office of BSRM Group in Mirsarai, Chittagong on April 3. BSRM and UNDP will work together to provide livelihoods and life skills training to poor women under a UNDP project -- Strengthening women's ability for productive new opportunities.

BSRM



Mir Moshir Rahman, managing director of Titas, and SM Ashiqur Rahman, chief executive of Ranks ITT, attend the signing ceremony of an agreement on Tuesday. Ranks ITT will provide all internet services, internal data connectivity and hardware support to Titas offices.

RANKS ITT

# WTO cuts 2016 global trade forecast to 2.8pc

AFP, Geneva

The World Trade Organisation on Thursday revised its 2016 global trade forecast downward by more than one percentage point, warning that a slowdown in China and broad market volatility continued to threaten growth.

In September, the WTO estimated that global trade would rise by 3.9 percent this year, but lowered that projection to 2.8 percent, in an updated forecast.

"Trade is still registering positive growth, albeit at a disappointing rate," WTO director general Robert Azevedo said in a statement.

Various factors were continuing to apply downward pressure on global commerce, the Geneva-based body said.

The rout on commodities prices has shown few signs of reversing, while the full extent of the slowdown in China -- the world's top commodities consumer -- remains uncertain.

The WTO listed "a sharper-than-expected slowing in China (and) worsening financial market volatility" as factors that could further suppress global trade this year.

But, the 2.8 percent growth forecast could prove to be an underestimate if efforts by the European Central Bank to stimulate eurozone growth are successful, the WTO said.

# ECB action is supporting inflation, growth: chief economist

AFP, Frankfurt

Without the raft of different policy measures taken by the European Central Bank, consumer prices in the euro area would have declined last year and economic growth would be weaker than it is, the ECB's chief economist Peter Praet said Thursday.

"In the absence of our policy package inflation would have been negative in 2015," Praet told a central banking congress in Frankfurt, countering growing criticism that the ECB's policy measures are proving ineffective in kick-starting inflation and growth in the single currency area.

"In 2016, it would have been at least half a percentage point lower than we forecast currently and around half a percentage point lower in 2017," Praet said.

The ECB is currently pencilling in an annual inflation rate of just 0.1 percent for this year and 1.3 percent next year.

Turning to economic growth, "the impact of the policy measures on euro

area GDP (gross domestic product) is also sizeable," Praet said. "According to the staff assessment, our policy is contributing to raise euro area GDP by around 1.5 percent in the period 2015-18."

Praet warned "we have to be careful to avoid assessing monetary policy by 'looking out the window'. This describes the process of eyeing where certain key variables are today compared with the beginning of the policy, and then concluding that the policy has succeeded or failed."

But this was not how rigorous economic analysis was conducted, he argued.

"Given that the economy is never static, one always needs to assess a counterfactual scenario; what would have transpired without the policy action."

In a bid to kickstart recovery in the eurozone economy, the ECB has implemented a raft of different measures, from cutting interest rates to pumping vast amounts of liquidity into the financial system. But also these measures coincided with new economic shocks, such as the plunge in oil prices.



Tanzima Mostafa, a director of Meghna Group, and Md Mohiuddin, managing director of MM Builders and Engineers, pose at the signing of an agreement at the Westin hotel in Dhaka on Saturday. Unique Cement Industries, producer of Fresh Cement brand and a concern of Meghna Group, will supply cement to MM Builders for the construction of a bridge over the Meghna river in Narsingdi.

FRESH CEMENT

## Government of the People's Republic of Bangladesh

Ministry of Science and Technology  
Bangladesh Secretariat, Dhaka-1000

### Invitation for Tender (Microbus)

1.	Ministry/Division	Ministry of Science and Technology.				
2.	Agency	Ministry of Science and Technology.				
3.	Procuring entity name	Secretary, Ministry of Science and Technology.				
4.	Procuring entity district	Dhaka, Bangladesh.				
5.	Invitation for	Tender for Procurement of Govt. Vehicle (Microbus).				
5.	Invitation Ref No.	No. 39.00.0000.004.26.030.99-327				
7.	Date	4.4.2016.				
8.	Procurement method	Open Tendering Method (OTM).				
9.	Budget and source of funds	Budget of 2015-2016, GOB.				
10.	Tender package No.	1 (one).				
11.	Tender package name	Purchase of Govt. Vehicle (Microbus).				
12.	Tender schedule last selling date	24.4.2016, 5.00pm.				
13.	Tender closing date and time	25.4.2016 at 02.00pm.				
14.	Tender opening date and time	25.4.2016 at 02.30pm.				
15.	Name and address of the office's Selling tender document (principal)	Section-4, Room # 915, Bhaban # 6, Ministry of Science and Technology, Bangladesh Secretariat, Dhaka.				
	Receiving tender document-Opening tender document/ place/date/time of tender meeting (optional)	-do-  Tender opening committee of MOST.				
16.	Eligibility of tenderer	Well reputed and financially solvent tenderer (authorized agents/distributors) having office establishment, repairing workshop, manpower, logistic support, stock position, good performance, qualification and past experience of supplying new and good quality vehicles in government sectors within assigned time.				
17.	Brief description of goods or works	12 (twelve) seated microbus is to be latest, modern, Model-2015, international standard, good quality, brand new, fitted with modern amenities including CNG cylinder, high efficiency engine (EFI/MPFI), CBU by the country of origin with detail specifications (supported by original catalogue/brochure).				
18.	Lot No.	Identification of lot	Location	Price of tender document (Tk)	Tender security amount (Tk)	Completion time in days
	1.	1 No. 2600-3000 CC Microbus	Dhaka	1000/- (one thousand)	85,000/- (eighty-five thousand)	From ready stock of within 20 days from the date of work order
19.	Name of official inviting tender	Md Abdus Salam.				
20.	Designation of official inviting tender	Assistant Secretary, Section-4.				
21.	Address of official inviting tender	Room # 915, Bhaban # 6, Ministry of Science and Technology, Bangladesh Secretariat, Dhaka.				
22.	Contact details of official invitation	Tel: 9511053.				

GD-774

Md. Abdus Salam  
Assistant Secretary