

# Muhith questions pvt investment abroad

Says black money flowing out of the country

STAFF CORRESPONDENT

The foreign destination of private investment is becoming questionable as the investment is made largely with black money, Finance Minister AMA Muhith said yesterday.

Many made investments abroad and the matter is now public knowledge. The media also reported on investment in the housing sectors in Malaysia and Singapore, he said.

"The source of this investment is black money. Because of this black money, capital flight takes place," Muhith said at a pre-budget discussion with a group of economists at the state guesthouse Padma.

Capital flight occurs when assets or money rapidly flow out of a country.

The latest data of illegal capital flight from Bangladesh is not available. But it surged 33.78 percent year-on-year to \$9.66 billion in 2013 through trade misinvoicing and other channels, according to a report of Global Financial Integrity.

Private investment as a percentage of gross domestic product (GDP) declined to a three-year low of 21.78 percent in fiscal 2016, according to a World Bank report published in

October last year.

It is not clear whether this dipping investment is linked to the capital flight.

Speaking at the pre-budget discussion, several economists said the booming economy manifested that private investments were being made in the country. However, money is also being siphoned off the country.

In reply, Muhith said the government was planning to set up a banking commission to help the sector get rid of its problems.

"The banking sector is growing well. But the difficulties it is facing have become acute."

He, however, said the decision about the commission had not been made yet, and that he would consider the matter ahead of the next budget to be unveiled in June.

The country's top economists have long been demanding a banking commission to keep the irregularity-struck banking sector on the right track.

The banking sector of Bangladesh has been plagued with a number of disappointing trends for some time. This has impacted the soundness of the banking system and resulted in

SEE PAGE 12 COL 5



President Abdul Hamid visiting development projects in Astagram of Kishoreganj yesterday during his three-day trip to his district.

PHOTO: PID

# Dhaka uneasy

FROM PAGE 1

"The proposed defence agreement has not yet taken final shape...it is still under discussion at different level of the government, but it is progressing," said a highly placed official source in Dhaka.

Bangladesh is heavily dependent on China for its defence, but the government amid Indian push has taken the view that a traditionally close defence relationship with China needs to be balanced by strengthening defence cooperation with India and Russia too, according to experts and sources.

Bangladesh and China has umbrella agreement on defence cooperation signed in December 2002 during then Prime Minister Khaleda Zia's visit but Bangladesh does not have such a comprehensive agreement with India.

Under the Bangladesh-China military cooperation agreement of 2002, Bangladesh is buying supplies of arms, equipments, tanks, frigates, fighter jets and of late, the two submarines from China.

There is also counterargument

among the defence experts who think it would be unwise for Bangladesh to build its defence with Indian cooperation.

Meanwhile, some political and security analysts said, though Bangladesh depends on China for conventional military weapons but time has come to move away from single source supply of defense equipment and include other countries in the list.

Political, diplomatic and security experts in Dhaka see India's insistence on this deal as a move to counter Bangladesh Armed Forces' growing dependence on China. They recognise China has emerged as a major supplier of arms to the Bangladesh Army and that makes India uncomfortable.

The recent addition of two Chinese submarines to the Bangladesh Navy has been a reason of major concern for New Delhi. Leading think tanks, media, and strategists in India have questioned Bangladesh's need for submarines at this time when it has already settled its maritime disputes with Myanmar

and India through international arbitration in 2012 and 2014 respectively.

New Delhi was reported to be unhappy with Dhaka when Bangladesh on November 14 last year took delivery of the first of the two submarines purchased from China at a cost of \$203 million. The Type 035G diesel-electric submarines are armed with torpedoes and mines.

Sources said India is also apprehensive over China's plans to develop seaports with base for submarines in Bangladesh which may hold Chinese submarines in future.

The Modi administration also felt uncomfortable when China, during Chinese President Xi Jinping's Dhaka visit on October 14-15 last year, elevated the bilateral ties from a comprehensive partnership of cooperation to a strategic partnership of cooperation, inking at least 27 deals worth about \$25 billion.

Soon after, New Delhi presented the idea of comprehensive defence agreement with Bangladesh when its defence minister, Manohar Parikkar,

visited Dhaka on November 30-December 1, 2016.

India further pushed for signing the defence deal during Indian Foreign Secretary S Jaishankar's visit to Dhaka on February 23 when he had over an hour of one-to-one meeting with Prime Minister Sheikh Hasina.

In response to New Delhi's push for the defence deal, highly placed sources said, government high-ups and policymakers are favouring signing an MoU first. Government policymakers think that would strike the right balance without upsetting either India or China.

Explaining building defence cooperation with India, strategic and security analyst Maj Gen Abdur Rashid (Retd) said: "Chinese footprint in Indian Ocean littoral states has always been a concern of other potential partners of Bangladesh. Unitary presence of a single country may generate suspicion among others. Enhancement of defence capacity of Bangladesh also adds strength to collective regional capacity."

Another defence expert said

dependency on single source of supply of defence equipment also creates vulnerability and suggested a safer approach by creating multiple sources of defence equipment.

However, another expert, who wanted not to be named, said that Bangladesh has long been using Chinese weapons and it would be difficult for armed forces to adjust with new type of arms imported from new source.

Bangladesh has already inked its biggest arms contract worth \$1 billion with Russia in January 2013 and is also planning to procure eight multi-role combat aircraft from Russia for the Bangladesh Air Force.

Bangladesh has previously bought MI-8 helicopters, Mig-29 fighter jets and MI-171 helicopters from Russia. The then Soviet Union had gifted eight MiG-21 aircrafts in 1972 to Bangladesh that kicked off the military-to-military ties between the two countries.

Meanwhile, the Foreign Ministry in its announcement said, "The upcoming visit is expected to further expand the cordial and cooperative relation-

ship between India and Bangladesh and build on the strong ties of friendship and trust between the two leaders.

In preparation for the visit, official sources said, Dhaka and New Delhi have already finalised more than two dozen agreements, MoUs and documents for signing at the summit level meeting between Hasina and Modi on April 8 in New Delhi. "A couple of dozen or even more deals will be signed," added a high government official in Dhaka.

The MoUs are likely to be project-based, similar to those inked with China in October during Chinese President Xi Jinping's Dhaka visit, they said.

Diplomatic sources in the two capitals said the Bangladesh Prime Minister's visit is taking place without the Teesta Agreement whereas the two countries are going to sign agreements for use of Chittagong and Mongla seaports as part of greater connectivity under which India will get the transit-transshipment facilities for transportation of goods through Bangladesh.

# S Korean firm gets block-12

FROM PAGE 1

The block is adjacent to block-12 of Bangladesh.

Bangladesh has 26 blocks in the Bay. Of them 15 are deep-sea blocks and 11 are in shallow waters.

"We can find gas in Bangladesh as well, as the petroleum structure and geological setting is similar in the two blocks," said Young-Sang Kim, chief executive officer of Posco Daewoo, at the signing ceremony.

He said if gas was found, the block would meet Bangladesh's energy demands and stimulate its economic growth.

The Korean company would spend \$3-5 million for carrying out a two-dimensional survey, \$5-7 million for a three-dimensional survey, and \$50-100 million for drilling wells, said the CEO.

Kyoung-ha Woo, ambassador of South Korea to Bangladesh, said offshore blocks could be a driving force for Bangladesh's development as it has limited natural resources.

Tajul Islam, chairman of the parliamentary standing committee on energy, said the settlement of maritime boundary disputes with neighbouring countries has offered Bangladesh a huge area to explore hydrocarbon resources.

Nasrul Hamid, state minister for power and energy, said the country has not been able to award offshore blocks for exploration for a long time. "It is good that it has happened at last."

Bangladesh's efforts to attract international companies for deep-sea blocks explorations were delayed due to low oil price in the international market for more than two years. The low price discouraged oil companies from expanding in new territories.

Nasrul said the government would hold more offshore block biddings in the next couple of years. The government is working to buy a survey vessel, he said.

Tawfiq-e-Elahi Chowdhury, energy adviser to the prime minister, said the government is working on four areas, including onshore, offshore and liquefied natural gas, to ensure the country's energy security.

Posco Daewoo's achievement in Myanmar has encouraged the company to explore gas in Bangladesh,

said energy secretary Nazimuddin Chowdhury.

"As the company has found gas in the adjacent block, we might get good news from our block," he said.

Petrobangla Chairman Abul Mansur Md Faizullah said offshore accounts for a third of the hydrocarbon resources produced in the world. "So, we are focusing more on offshore resources."

Block-12 is over 3,560 sqkm with depths between 1,000 and 2,000 metres. The initial exploration period is five years and the subsequent exploration period is three years, according to a Petrobangla press release.

In the initial exploration period, the 2D survey would be carried out in the first two years over an area of 1,800 sqkm, the 3D seismic survey in the third year over an area of 1,000 sqkm and one exploratory well will be drilled in the fourth and fifth year.

This was the first time a production sharing contract was signed under the Prompt Power and Energy Supply (Special) Act-2010, which is used for speeding up the process of contract signing.

Bangladesh would get 65 to 90 percent of the profits from the sale of oil and condensate pumped out of the block. For natural gas it would be between 60 and 85 percent, according to a handout given at the programme by Petrobangla.

The Korean company could get a maximum of 70 percent of the available petroleum per year to recover its exploration costs.

In February last year, Petrobangla had sought expression of interest for gas exploration in block-12, -16 and -21 and received proposals from Singapore-based KrisEnergy (Asia), Posco Daewoo, and Norway's Statoil.

But when the final offer was sought from the companies, only Daewoo came up with a proposal for block-12. Posco Daewoo now produces 500 million cubic feet per day of gas from wells in Myanmar and in South Korea.

The Korean company estimates that the Myanmar gas fields have 4.5 trillion cubic feet of gas reserves, enough to cover three years of lique-

fied natural gas supplies to South Korea.

In recent years, Bangladesh has raised its natural gas production and average production stands at 2,700 million cubic feet per day. However, the demand stands at over 3,300 million cubic feet per day, according to Petrobangla.

As the gas reserves are depleting and there were no new gas discoveries, the government is awarding deep-sea blocks to international oil companies to boost production.

In 2014, the government awarded shallow water block-11 to Australian oil and gas company Santos and Singapore-based Kris Energy, and shallow water block-4 and -9 to India's state-owned Oil and Natural Gas Corporation Videsh Ltd.

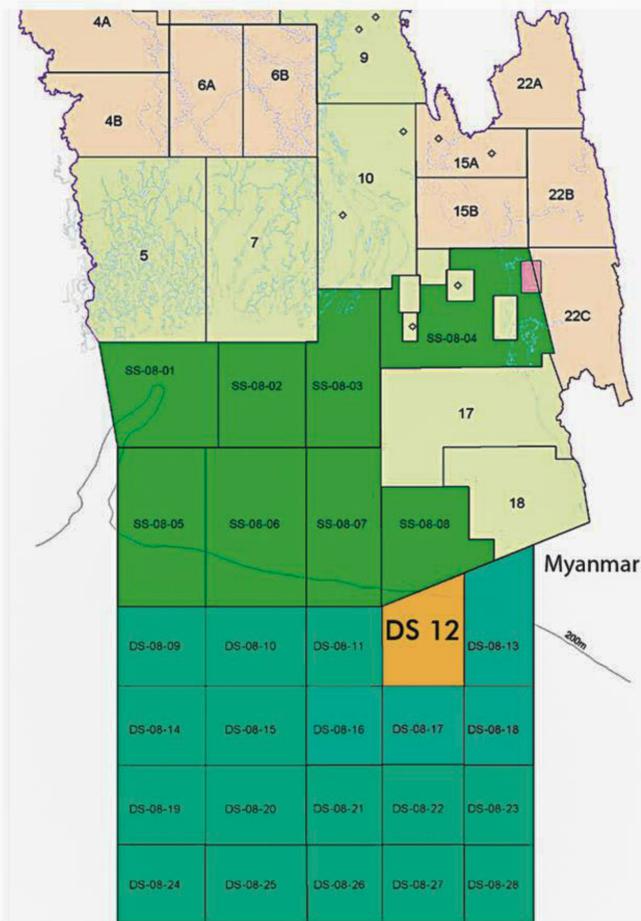
Under the amended model production sharing contract 2012, the provision for exports has been kept. But Posco Daewoo would have to offer the gas to Petrobangla first.

If Petrobangla refuses to buy the gas, the Korean company would have to find local buyers. Once the first two options were exhausted, they could look for buyers outside the country.

Officials of Petrobangla said Bangladesh has amended its Model PSC 2012 keeping it in line with those in Myanmar and other countries in order to woo more international companies to explore its vast waters. This has been done as global oil giants were not keen on investing in projects that would not offer attractive incentives against the investment risk they would be taking.

Bangladesh had awarded deep-sea block-10 and -11 to US oil giant ConocoPhillips in 2011 under the model PSC 2008. But the company wound up its operations in late 2014 despite carrying out extensive survey, as the government did not grant the benefits of Model PSC 2012 to the company, sources said.

Yesterday, Joo Si-Bo, senior executive vice-president of Posco Daewoo, Khadiza Nasreen, deputy secretary of the energy ministry, and Syed Ashfaquzzaman, secretary of Petrobangla, signed the deal.



# Govt to launch

FROM PAGE 16

viewers across the country can see their programmes.

Planning Minister AHM Mustafa Kamal after the Ecneec meeting told reporters public awareness would be built against terrorism and militancy through the new TV stations. He added regional culture and history and entertainment programmes would also be produced and telecast.

The government revenue would also increase by the telecast of advertisement and various sponsored programmes, he observed.

He further said the meeting proposed setting up five TV stations, but the prime minister differed, saying as Mymensingh was a divisional city, it needed a station as well.

Quoting the premier, the planning minister said the six TV stations would have to be built with Tk 1,391 crore -- the amount proposed for five.

A Chinese company, Aerospace Long-March International Trade (ALIT), won the initial permission without competitive bidding, which the cabinet committee on economic affairs approved last year.

Two Chinese firms -- ALIT and Radio, Film & TV Design and Research Institute (DRFT) -- would jointly make the studio and architectural designs of the administrative buildings and construct them, according to the information ministry. The companies would also plan for other equipment and purchase and install those.

After a detailed discussion, BTV and the Chinese company have prepared the draft commercial contract, said an information ministry official, adding, it would be activated after the financial agreement was signed.

The BTV authorities have already prepared the draft of the contract, which would be signed with the proposed company.

Alongside production and airing of programmes of national interests, local artists would be given airtime to showcase their talent so that they can later take part in national programmes, the official said.

For example, they would telecast local news as well as the national news on BTV. No decision has yet been taken as to whether the six TV stations would operate 24-7 or less, the ministry official said. Initially, the stations would most likely air programmes for five to six hours, with the airtime being gradually increased.

The BTV has its own land in four divisional cities and needs to acquire land in Barisal and Mymensingh only.

# Judiciary held hostage

FROM PAGE 1

and adjourned the hearing till yesterday.

Earlier on November 7 last year, the SC expressed disappointment that the government did not finalise the rules outlining the job disciplines for lower court judges.

During the hearing that day, the court said the judiciary was held hostage as no action could be taken for misconducts by lower court judges due to a lack of rules. It also said some lower court judges were involved in corruption and anomalies and yet

steps could not be taken against them.

Also on that day, the top court gave the government two weeks to finalise the rules and to issue a gazette notification to this effect.

The lower judiciary was officially separated from the executive branch in November 2007 but the disciplinary rules for lower court judges are yet to be made.

The government had drafted the rules and sent those to the SC for its opinion. The court revised the draft and resent it to the government for passage.