

CCH's long slumber

Unhindered years of tax evasion and money laundering

A report in this daily has revealed a startling fact about the Chattogram Customs House (CCH): for years it has been doing nothing about the numerous money laundering incidents taking place right under its nose. It was only when the Bangladesh Bank (BB) and National Board of Revenue (NBR) asked the CCH to file cases that it seemingly woke up to the blatantly illegal activities going on. So far only two cases have been filed against owners of two companies engaged in false declaration of goods in an apparent attempt to dodge taxes.

As reported in this daily there have been many instances of importers declaring goods of high value and low tax when they turned out to be of low value or no value at all. At other times high value products have been declared as low value to evade tax. Thus cigarettes, which carry taxes as high as 600 percent, have been declared as steel or machinery that carry around three percent tax. But apart from dodging taxes, of greater concern is that some of these importers sent money abroad through illegal channels. And this has been happening for years.

It is inconceivable that although 90 percent of the country's trade is done through Chattogram Customs, there have been little attempts to curb money laundering. Why has the CCH been so indifferent to such unlawful activities? Why is it that only after the BB and NBR instructed it that the department started taking action? The claim that they do not have adequate manpower to file cases even though an anti-money laundering wing had been set up, does not hold water. Why weren't staff recruited for this crucial operation?

It is mind boggling that the customs authorities do not have any records on how much money has been laundered abroad in the name of importing goods. Why has the customs house ignored these incidents and the recommendations of the BB and NBR to file cases? These questions need to be answered to unearth the mystery of such inaction. It is high time that the CCH got its act together and showed due diligence in filing cases against such obvious fraudulent declarations and money laundering. The government has lost millions of taka in revenue because of tax evasion facilitated by the CCH's lackadaisical attitude towards enforcing the law.

Bourse on downward trend

Recent interventions backfire

INVESTORS involved in the country's premier bourse, the Dhaka Stock Exchange (DSE) have reportedly lost Tk 31,349 crore. DSE index has slumped to a 33-month low since July 2. Market insiders tell us that a series of recent decisions by the regulator have failed to beef up DSE. In May, the central bank widened banks' scope to invest in the stock market in an effort to stop it sliding further. It allowed for banks to invest in non-convertible bond, debenture, and open-ended mutual funds, none of which have capital market exposure.

When we look at the latest budget, the decision to double tax-free dividend up to Tk 50,000 for individuals had little effect. Of the 22 initiatives the regulator took in consultation with Bangladesh Securities Exchange Commission and stakeholders, there was a provision to raise quota for general investors to 50 percent, as opposed to 30 percent earlier. Unfortunately, none of these worked. Because the real causes remain unaddressed, viz. liquidity crisis, deteriorating financial health of banks, lack of good quality stocks in the market and the continued share manipulation in the bourse.

Both banks and non-banking financial institutions (NBFIs) are suffering from a liquidity crunch. Continuous rescheduling of bad loans has not helped matters. Investors are not interested in putting money on low-grade stocks and confidence cannot be restored unless reputed companies, local or otherwise, come to the market. There is also fear over the BTRC-telecom spat that has given the biggest stock a price hit and that also contributed to the slide in the index. It would be prudent to find a solution to this standoff as soon as possible.

On the question of lack of liquidity, there is no recourse to re-establishing good governance in the financial sector, an issue that we keep stressing upon but to little effect. The government has the ability to bring in good stocks to the market. For years, we have been hearing talk about offering shares of profit-making state-owned enterprises but that's about it. As long as uncertainty exists, foreign investors will keep dumping stocks and pulling out. Restoring investors' confidence will require policymakers taking some hard decisions on the state of the financial sector and clamping down on share manipulation.

Trying times for our RMG sector



MOSTAFIZ UDDIN

(BGMEA) recently announced that since February this year, 46 RMG factories have closed down and 25,000 workers have lost their jobs.

It is also my understanding that many more RMG businesses are under great strain and, against the backdrop of a stagnant global economy, it would not be a surprise if we witness further casualties in our industry in the coming months.

Why are RMG factories struggling? There are many who suggest declining apparel prices and downward pressure on unit cost prices as some of the key challenges facing the factory owners. Without doubt, factory owners are operating in a very tough market in which buyers drive a very hard bargain on price. But this has always been the case, and this is how businesses operate everywhere in the global market—from Bangladesh to India, China to Vietnam.

High bank interest rates are also not helping matters. Lending rates to businesses in Bangladesh are high by international standards and have been edging upwards. The hope here is that banks and the industry can work more closely to find innovative ways to get finance on the table for ambitious, growing businesses with solid prospects.

However, there is another factor at play which demands attention. Consider, first of all, that Bangladesh's RMG sector experienced 11.49 percent growth in the last fiscal year according to the latest government figures, which were published in July. Growth was nine percent in August. These are impressive figures and illustrate that the industry continues to remain robust.

But there appears to be a paradox here. On the one hand, export revenues are growing, which shows more orders are being placed. On the other, there is talk of factories struggling due to a lack of orders and, some could be in danger of closing production lines down. So, what's happening?

The obvious answer is over-capacity. There is currently too much slack in the industry, which is not sustainable in the long run. Factory owners cannot

afford to have machines and machinists continually lying idle; therefore, better long-term planning and operational management should be key priorities for the industry moving forwards. We need a lean, productive industry with little or no fat in order to be globally competitive.

Part of this issue relates to a lack of efficiency, particularly for smaller runs. More efficient management of small runs will help factory owners keep inventory levels down; it will also help brands in terms of less mark-downs.

meet the requirements of brands for more sustainable products, including products which use recycled polyester, for instance.

Factories cannot continue to compete solely on price, for if they do so, they will limit their options and have to depend on fortune. Better, surely, to grasp the nettle on this issue and take their fate into their own hands. How? By innovating and adding value. Only a handful are doing this in our industry. Where is product development, the design and innovation studios within factories, research and

key market of the US will always be a challenge but there are things Bangladesh can do to improve lead time. For instance, Bangladesh can develop better raw material supply chains to the RMG sector. Supply chain infrastructure of the RMG sector needs improvement so that in-demand fabrics—including sustainable, recycled materials—can more quickly be delivered to factories.

If factories are not prepared to do this, they risk missing out on orders and seeing their production lines lie idle. For too



It's now time to let new entrants to the RMG market—African countries such as Ethiopia—take over the low-cost mantle, while Bangladesh shifts its focus to adding value.

PHOTO: STAR

There is also another related issue to consider. For too many years, our RMG factories have produced the same four or five basic staple products. With many factories producing the same or similar products, there is only one competing factor: the price. It is inevitable, then, that prices will continue to be driven downwards until they reach close to—or even below—cost for some factory owners. It is here that factories can easily run into trouble.

Factories need to diversify their product offerings, shifting into differentiated products such as lingerie and outerwear. They also need to consider how they can

development?

These days brands expect complete package from their suppliers. At present, many RMG factories in Bangladesh cannot provide it, which results in buying houses and intermediaries stepping in and dealing with the brands. This means factory owners lose out as middlemen cream off part of the profit from orders. Therefore, factories need to evolve and think about how they can provide the necessary elements—design, innovation and so on—so that they can deal directly with brands and retailers.

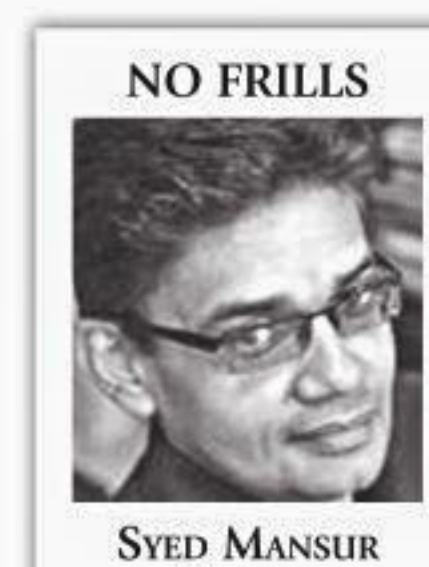
Another key potential differentiator is lead time. Physical distance from the

long, Bangladesh has competed solely on price, and this has led to a race to the bottom for factory owners.

It's now time to let new entrants to the RMG market—African countries such as Ethiopia—take over the low-cost mantle, while Bangladesh evolves and shifts its focus to adding value. This would be the next logical step for the industry and the best way of remaining globally competitive long-term.

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Aramco attacks: Fuelling the fire



SYED MANSUR HASHIM

reassurances by the Kingdom of Saudi Arabia (KSA) that strategic oil reserves will be deployed to stabilise the market, price of oil has shot up in the global markets.

The Abqaiq facility is a vital oil processing center and the attack has directly affected gas production that has gone down by 50 percent. The drone attack has struck a major blow to KSA and going by what has been reported in international media, we are looking at production cut of 5.7 million barrels per day (bpd) of Saudi

Houthi rebels."

Fingers are already being pointed at Iran, both by KSA and the US, which brings us to the question as to why would Iran attack the facility, especially in light of the fact that one of the hawkish elements in the Trump administration, John Bolton had recently parted ways with President Trump. That move was a signal that perhaps, the political mercury in an already tense Middle East, could perhaps be going down.

Of course, with the attack, and Secretary Mike Pompeo blaming Iran over the weekend and the president stating in one recent tweet: "[We] are locked and loaded depending on verification, but are waiting to hear from the Kingdom [of Saudi Arabia] as to who they believe was the cause of this attack and what terms we would proceed!" this is an indication of US resolve to perhaps seek a military solution.

While all that is going on, the oil

million barrels of 'Basrah Light' crude for October and November.

We understand that KSA has crude stocks of nearly 180 million barrels (according to official data), which is enough to cover 28 days of exports (at 6.88 million bpd). With the Abqaiq facility currently processing about 2 million bpd (down from 4.9 million bpd), one can understand why KSA is looking around for alternative sources of crude.

The hype around the attack should be taken with a pinch of salt. It is not going to bring about a massive increase in prices globally that is reminiscent of the oil crisis in '73, unless war breaks out. We should be more concerned about the repercussions and the retaliation of such an attack and where that will lead the region in terms of peace and security.

Only now are players in the Middle East and their allies in the western hemisphere beginning to comprehend

with missile attacks on the KSA.

Iran has been forced to endure severely economic pressure, but it has demonstrated that it holds significant sway over other players in the region, which can and has caused problems for Saudi Arabia in the past.

The hurried departure from the P5+1+European Union and Iran nuclear deal (also known as the JCPOA) was perhaps not the best foreign policy ploy by the US. As pointed out in a recent article printed on September 19 in *The Hindu*, "Tehran waited for a year, perhaps hoping that the remaining signatories, including the EU, Russia and China, would fix the deal. But they remained more or less spectators when the U.S. continued to squeeze Iran's economy with sanctions. By May this year, the U.S. had effectively cut off Iran's oil industry, critical for its economy, from the global economy." Iran upped the ante by restarting uranium enrichment and began to apply pressure on foreign tankers passing through the Strait of Hormuz.

The US calling off a strike on Iran after the shooting down of one of its drones did little to help matters. These sabre rattling tactics and tit-for-tat strikes and counter strikes will not bring peace, nor will it calm down oil markets. Iran has been responding to pressure from the West for decades and the nuclear deal that was reached after painstaking negotiations between it and the West was thrown out the window on a whim by an administration in the false hope that Iran could be covered through a feat of arms instead of a negotiated settlement.

Today, hardliners on both sides are increasingly calling the shots. Despite all the bluster, is the US ready for a new war, especially against an adversary that can call upon its many allies in the region to conduct asymmetrical warfare on its behalf? Would the West be willing to commit ground troops in yet another Iraq-like venture, at a time when it is trying to extricate its forces from Afghanistan?

The Syrian conflict lasted nearly a decade and it has created major problems in terms of refugees and global jihad—what will an all-out conflict with Iran entail? It is impossible to predict an outcome at this stage, because we are in uncharted territory. However, what is clear as day light is that Iran will not go down without a fight and if tomorrow, the Gulf region ignites into a ball of flames, the blame will squarely fall on the shoulders of the US administration and its shortsightedness when it comes to conducting foreign policy in perhaps, the most critical of regions.

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Smoke is seen following a fire at Aramco facility in the eastern city of Abqaiq, Saudi Arabia, September 14, 2019. PHOTO: REUTERS

crude output, which accounts for over five percent of the world's supply.

KSA has stated that output would be restored in the near term, but as pointed out in a recent article printed in *The Financial Times*, "the size of the loss will still send shockwaves through energy markets and the scale of the attacks will raise fears that the kingdom's energy infrastructure is vulnerable to increasingly sophisticated attacks by Iran-aligned

market is reacting negatively to the incident. According to S&P Global Platts, Saudi Arabia has reportedly approached Iraq's State Oil Marketing Organisation (SOMO) to buy Iraqi crude oil to fill the shortfall left by the attack. KSA has been utilising its vast crude inventories to offset some of the lost production and also to meet customers' demand. Both SOMO and Aramco remain tightlipped on the issue of the probable import of about 10

the consequences of applying "maximum pressure" on Iran. Iranian oil production has all but stopped and with it, has strengthened the hardline factions within the Iranian establishment. The seemingly endless and atrocious war against Yemen has dragged on for years without any end in sight (or clear policy direction for that matter), causing a severe humanitarian crisis and resulting in dogged opposition from the Houthis, which have retaliated

LETTERS TO THE EDITOR

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It is time to prevent conflict and ensure peace

The world is observing International Day of Peace today. However, there is conflict everywhere. There are wars waging in different countries and innocent people are losing their lives due to the greed and machinations of warmongering individuals. It is really unfortunate that terrorism, ego and other conflicts are wreaking havoc everywhere.

It is high time, world leaders and international bodies like the United Nations play a more proactive role in preventing wars and conflicts, and ensure a world where every individual can live with dignity. We must all work together to create an environment where people can coexist in harmony.

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