

# Feeding the underground economy

## The black money whitening conundrum



TASNEEM TAYEB

**A CLOSER LOOK**  
IN the first 10 months of the outgoing fiscal year, Tk 14,459.40 crore of undisclosed wealth was legalised in the country—as reported by *The Daily Star* citing data from the National Board of Revenue (NBR)—

which, the government says, will play a big role in kick-starting the economy by injecting cash flow amidst the pandemic-induced financial struggles.

However, this record-breaking whitening of illegal cash raises some important questions about its social, economic and political implications.

To begin with, this practice is contradictory to the constitution. “The practice of providing such opportunities is unconstitutional. Article 20(2) of the constitution prohibits unauthorised income,” said Dr Iftekharuzzaman, Executive Director of the Transparency International Bangladesh, while discussing the issue with this writer. The said Article of the constitution states: “The State shall endeavour to create conditions in which, as a general principle, persons shall not be able to enjoy unearned incomes, and in which human labour in every form, intellectual and physical, shall become a fuller expression of creative endeavour and of the human personality.”

Unfortunately, for Bangladesh, whitening black money has rather become a norm. This is not the first time such an opportunity has been granted to illegal money owners to legalise their assets. Since 1975, there have been 16 instances when this opportunity has been provided during the tenures of various governments, with the assumption that it would boost cash flow in the economy and prevent money laundering. The current government itself has offered this opportunity a total

of eight times since the 2012-13 fiscal year.

In most of those scenarios, the reaction from illegal cash owners had been limited. Between 1971 and 2017, according to the NBR, a total of Tk 18,372.13 crore had been legalised, from which the government received Tk 1,529.46 crore in taxes. Of this amount, Tk 9,683 crore had been whitened during the army-backed caretaker government regime during 2007-09.

Despite this low volume, this provision has been provided to the owners of black money time and again. The sudden increase in legalisation of black money in FY 2021 can be attributed to two factors. First, the provision that no authority will question the source of the money—including the NBR and the Anti-Corruption Commission—has given the tax evaders and corrupt individuals the opportunity to leverage this chance to whiten their illegal wealth without having to be accountable for how they earned it. The NBR chairman, Abu Hena Md. Rahmatul Muneem, himself had been quoted by *Prothom Alo* as saying that “if any organisation raises questions regarding this matter, that will be unjust and that should not be. We’ve talked to the organisations that could raise questions about legalising untaxed money, and asked them not to do so.”

Secondly, experts have suggested that since Covid-19 has impacted economic activities across the world, many individuals found it difficult to transfer their cash to other countries. Thus, they had to resort to whitening their money taking advantage of the wholesale opportunity provided by the government.

And it seems this practice cannot be stopped. It is puzzling why this year—even after stating earlier that the wholesale money whitening opportunity will not be offered in FY 2022 budget—the finance minister himself had to backtrack on his words, saying this provision might be extended to this fiscal year as well.

The practice of offering opportunity to legalise black money itself is ethically wrong. And even the tax—a meagre 10 percent—that needs to be paid to whiten illegal money is a blatant demonstration of social injustice. While an average law-abiding taxpayer pays around 20-25 percent in taxes, a person in possession of black money can whiten it by paying only a 10 percent tax. This practice is exclusive in nature, and serves to punish

the country’s dark economy. A 2013 study commissioned by Bangladesh government estimated that the size of the underground economy in the country stood at a staggering 62.75 percent of the nominal GDP in 2010. More recently, an IMF study in 2018—which mostly covered legal activities and tried to exclude illegal activities such as gambling and prostitution—suggested that the size of the underground economy is around

black money. However, compared to the opportunity cost of it—the ethical and moral compromise that it requires—this sum is very insignificant.”

The U-turn the government has taken with the suggestion that this opportunity might be extended after June 30 is disturbing, to say the least. A budget is a serious document that cannot be changed overnight. It is a major policy issue. The sudden change in government stance indicates external pressure from vested quarters to legalise black money. One wonders, how does this move comply with the government’s zero-tolerance policy towards corruption?

Instead of facilitating the whitening of black money, the government should focus on taking measures to stop the underground economy from growing. It needs to look into the source of this significant volume of black money that is strengthening our underground economy, and take punitive actions against those working to sabotage the economy and hurt the poor and middle-class for their own selfish, illegal gains.

This practice is only creating an artificial bubble of illegal money flow, which will burst anytime and cause widespread social and economic instability that will be difficult to manage. It’s a disaster in the making. It would be very unfortunate and detrimental to the growth of the nation if the government succumbs to external pressures to offer this provision again. It is unconstitutional, ethically wrong, and cannot be justified with any excuse. Immediate measures should be taken to not only punish those people who amass money illegally but also to contain the size of our booming underground economy. This is no time for a U-turn—it’s time to act to make things right, to promote social and economic equity. And the government needs to demonstrate strong political will to ensure this.

Tasneem Tayeb is a columnist for *The Daily Star*. Her Twitter handle is: @tasneem\_tayeb



ILLUSTRATION: COLLECTED

the law-abiding citizens for being compliant with local laws. It essentially discourages the people from paying their taxes, feeds the corrupt system, encourages non-compliance and crime, and aggravates social and economic inequities.

Bangladesh’s tax-GDP ratio—one of the lowest in South Asia, hovering around 9 percent on average and dropping to 7.9 percent in FY 2020—should be a concern for the policymakers. The fear is, such discouraging policy decisions by the government will be further detrimental to the NBR’s initiatives to drive tax collection and improve this ratio in the coming years.

Moreover, this practice of offering a window to legalise black money will hamper the government’s measures to fight corruption and reduce the size of

30 percent. One can only imagine what the figure would look like if the IMF study was more holistic in nature.

And these shady, illegal schemes, recurring with increasing frequency, directly aid corruption.

“This is discriminatory in nature as it forces the common people to pay a tax of around 20 percent while the corrupt earners of black money pay only 10 percent to whiten their illegal wealth. This continuous opportunity being provided by the government to whiten black money is sending a very wrong message to the people, one that promotes and protects corruption,” said Dr Iftekharuzzaman.

He added: “From a social perspective, the implication of this practice is grave. The government is flaunting the fact that more than Tk 1,445.94 crore has been earned in taxes as a result of whitening

### PROJECT SYNDICATE

## Pakistan’s Taliban Monster



SHASHI THAROOR

**AWAKENING INDIA**  
THE late head of Pakistan’s powerful Inter-Services Intelligence (ISI) agency, Lieutenant General Hamid Gul, was fond of boasting that when

Afghanistan’s history came to be written, it would record that the ISI, with the help of America, defeated the Soviet Union. And next, he would slyly add, historians would state that the ISI, with the help of America, defeated America.

Gul’s boast was not the sort of empty rodomontade that military men are notorious for once they hang up their uniforms and recall their past as being more glorious than the details might warrant. He was right to argue that it was the ISI’s tactic of sponsoring militants and terrorists—amply armed, supplied, and financed by the United States—against the Red Army in Afghanistan that forced the Kremlin to withdraw ignominiously.

Subsequently, using the same approach and initially many of the same personnel and methods, Pakistan created and sponsored a mujahideen group calling themselves the Taliban, or “students” of Islam, who swiftly took over Afghanistan and ruled it as a wholly owned ISI subsidiary. Things were rosy for Gul and his ilk until Osama bin Laden, a former mujahideen fighter who enjoyed the hospitality of the Taliban’s new “Islamic Emirate,” ordered the September 11, 2001 terrorist attacks against the US from his Afghan

hideout. America’s furious response resulted in the overthrow of the Taliban and the exile of bin Laden, under ISI protection, to refuge in a Pakistani military redoubt. The ISI had even less to crow about when the US tracked down bin Laden to a secure compound in Abbottabad and special forces killed him there in 2011.

But as America wearied of being bogged down interminably in

against it now signifies its lack of will to continue.

Whatever face-saving successor arrangements the US may put in place to mask its capitulation, its withdrawal from Afghanistan, with none of its long-term objectives achieved, is a defeat. With the Taliban more powerful than ever and poised to reclaim power in Kabul, the only external victor will be the ISI. As Gul foresaw, it will have

guarantee of that. The Taliban factions are so beholden to their Pakistani benefactors that, as Afghan President Ashraf Ghani acidly remarked, their decision-making bodies—Quetta Shura, Miramshah Shura, and Peshawar Shura—are named after the Pakistani towns where they are based.

But Gul’s successors would be wise to tone down their celebrations. First, the US withdrawal from Afghanistan removes a vital source of leverage for Pakistan in Washington. It may not be good news for Pakistan if the Americans need it less.

Furthermore, as the ISI knows, the problem with creating and sponsoring militant groups is that they do not always remain under your control. The lesson of Mary Shelley’s *Frankenstein*—that the creatures we give life to can develop minds and needs of their own—has been apparent elsewhere as well, not least in Israel’s role in building up Hamas as a rival to the Palestine Liberation Organization.

The same thing has happened in Pakistan, where the period of sullen cooperation between the Pakistani authorities and the US during the post-9/11 American crackdown in Afghanistan spawned the rebellion of the “Pakistani Taliban.” While the Afghan Taliban needed Pakistani refuge, ISI safe houses, funding, and arms to mount the insurgency that has brought the US to the point of withdrawal, the Pakistani Taliban have attacked their own erstwhile godfathers for insufficient fealty to militant Islam.

The ISI no doubt hopes that once US forces are gone and the Afghan Taliban is securely entrenched in Kabul, it can persuade the Pakistani Taliban to forgive and forget the agency’s previous

transgressions. If that happens, the thinking goes, peace will be restored, the ISI will control Afghanistan, and the Pakistani mujahideen will stop targeting Pakistani army installations and convoys, and join the ISI in intensifying attacks on the “real enemy”—India.

But a nightmarish alternative scenario for the ISI is also possible. Pakistani militant groups, emboldened by the success of their brethren in Afghanistan, might no longer be prey to the military’s blandishments. Instead, they could launch terror attacks with the aim of emulating in Pakistan what the Taliban have achieved in Afghanistan. If Afghanistan can be run as an Islamic emirate, they may ask, why can’t we do the same in Pakistan? Why dance to the ISI’s tune when we can call our own?

In such a scenario, the ISI’s heady moment of triumph on 9/11 this year could seem increasingly hollow, as the vipers it has nurtured strike at its own breast. True, the Pakistani Taliban—without a state sponsor of their own—has less chance of success than their Afghan counterparts. But they can still do considerable damage, in the process intensifying the Pakistani public’s disenchantment with the military’s domination of their country.

Should that happen, we will need to extend Gul’s account and say that the ISI, as the agent of the Pakistani military, helped to “defeat” or at least discredit itself.

Shashi Tharoor, a former UN under-secretary-general and former Indian Minister of State for External Affairs and Minister of State for Human Resource Development, is an MP for the Indian National Congress.

Copyright: Project Syndicate, 2021. www.project-syndicate.org

(Exclusive to *The Daily Star*)



‘With the Taliban more powerful than ever and poised to reclaim power in Kabul, the only external victor will be the ISI.’

PHOTO: REUTERS

Afghanistan, and the ISI helped its Taliban clients to rearm, reorganise and resume their operations against the US-backed regime in Kabul, the tide turned in the ISI’s favour. President Joe Biden has announced that US forces will withdraw completely from Afghanistan by September 11, the 20th anniversary of the 9/11 attacks. The date that long symbolised America’s determination to strike at the root of the terrorist attacks

defeated America with America’s help. Pakistan has now received two decades’ worth of US military assistance, totalling an estimated USD 11 billion.

The ISI has long been obsessed with the idea that controlling Afghanistan would give Pakistan the “strategic depth” needed to challenge its main adversary, India. A Taliban regime (or even a Taliban-dominated coalition government) in Kabul is the best

### QUOTABLE Quote

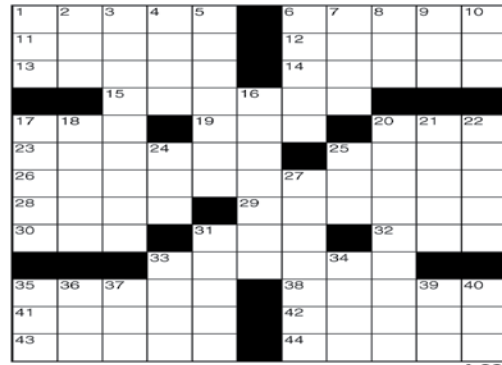


IBN SINA (980-1037) Persian physician

The more brilliant the lightning, the quicker it disappears.

### CROSSWORD BY THOMAS JOSEPH

- ACROSS**
- 1 Gaggle group
  - 6 Swell
  - 11 Once more
  - 12 Narrow shelf
  - 13 Docking spots
  - 14 Book section
  - 15 Lease signer
  - 17 Cigar remnant
  - 19 Northern seabird
  - 20 Summer on the Seine
  - 23 Lawn cutters
  - 25 Lure
  - 26 Our home
  - 28 Folk learning
  - 29 Crib toy
  - 30 Cease
  - 31 In shape
  - 32 That lady
  - 33 Manatee
- DOWN**
- 1 Ravine
  - 2 Swelled head
  - 3 Asteroid’s heading in “Armageddon”
  - 4 Spot
  - 5 Trap
  - 6 Eye action
  - 7 Easter lead-in
  - 8 Unmatched
  - 9 Long time
  - 10 Cowboy
  - 16 Vienna setting
  - 17 Plentiful
  - 18 Wise legislator
  - 20 Soil burrower
  - 21 Cover words
  - 22 Old anesthetic
  - 24 Hydrocarbon suffix
  - 25 Slugger’s need
  - 27 Suffer humiliation
  - 31 Fancy parties
  - 33 Tag into
  - 34 “Dear me!”
  - 35 Lynx or lion
  - 36 Writer Tan
  - 37 Catch some z’s
  - 39 “Science Guy” Bill
  - 40 Still, to poets



### SUNDAY’S ANSWERS

GAMMA HABIT  
EMAIL ALONE  
LANGUAGE GREECE  
TEA MAD SEP  
OUTLASTS  
SEEN APES  
ASA AUK CAL  
BASALT MAMA  
UNTIL HOPIN  
STORY EVENT  
EARS MESAS

### BEETLE BAILEY



### BY MORT WALKER



### BABY BLUES



### BY KIRKMAN & SCOTT



WRITE FOR US. SEND US YOUR OPINION PIECES TO dsopinion@gmail.com.