

## Is MLM fraud back in disguise?

### Reports of MTFE scams must lead to accountability and transparency

It's disturbing to learn of yet another mass-market-level consumer fraud that was reportedly committed exploiting legal financial channels to defraud thousands of people in various districts. According to a report by *Prothom Alo*, the group behind this is a multi-level marketing (MLM) company called Metaverse Foreign Exchange (MTFE) Group Inc. Its nature of exploitation is different from the now-defunct MLM company Destiny, but just as Destiny used customers to collect customers, it used "investors" to attract investors, using digital tools, a promise of lucrative returns on investments, and hired representatives on the ground to convince them.

All this happening even after the egregious precedents set by MLM companies like Destiny or Jubok – or latter-day players like UniPay2U or Evaly – is a big concern indeed. It means that there has been little improvement in financial governance in the country in all these years, as a result of which an estimated Tk 220 billion has been lost to MLM and e-commerce scams, unlikely to ever be returned in full to the victims.

Since the fallout of Destiny-Jubok controversies, there was a lull in MLM practices for about six-seven years, and the business model reportedly made a comeback in 2018 through e-commerce ventures. There are laws against pyramid schemes and such fraudulent business practices in the country, although there are no approved MLM companies at present. The question is, how could the MTFE then stay under the radar and circumvent regulations, and do that so openly?

A big tragedy of our financial sector is that every time a scam like this is revealed, far from taking responsibility for it, those in charge just pass the buck – as they did this time, too. Reportedly, the Ministry of Commerce, Bangladesh Bank, and Bangladesh Telecommunication Regulatory Commission (BTRC) are unwilling to take responsibility for what happened, instead opting to blame gullible investors for it. In the past, we have seen the government initiate inquiries, form commissions, and suggest refund mechanisms, yet a majority of victims have not been able to recover their investments.

This is quite frustrating. To prevent the recurrence of such scams, it is imperative that the authorities strengthen financial regulation and monitoring, properly enforce relevant laws, and enhance consumer awareness. Technological vigilance in an era where digital platforms can easily be exploited for financial misconduct is also vital. Those defrauded by MTFE and others deserve nothing less.

## Ruling party must reign in BCL activists

### Lack of accountability has emboldened them to continue committing crimes

Journalism in Bangladesh has become an extremely dangerous profession. One of the biggest threats facing journalists at present is violence by ruling party affiliated men. The most recent case occurred in Patuakhali, where a group of Chhatra League activists assaulted a journalist apparently for publishing a report against their district unit president. They stopped him while he was on the road, verbally abused him, physically assaulted him and attempted to injure one of his eyes, and even threatened to cut off his limbs should he publish any such reports. Their sheer barbarity demonstrates the level of danger journalists are exposed to these days. Violence, however, is just one of the many threats journalists face.

The main reason why such individuals have become so audacious is the poor state of law and order. It has become common for the powerful to get away with just about anything, often without any legal repercussion. In fact, rather than being used to protect journalists – and people in general – the law is being used to harass them. Under such circumstances, can we really be surprised when such incidents take place? Just a few days ago, another journalist was allegedly beaten up by BCL activists at Jahangirnagar University's Bangabandhu Sheikh Mujibur Rahman Hall, simply because they suspected he was filming them, when he did no such thing. But the fact that ruling party activists feel so embolden to attack journalists – as well as just about anyone – as their first instinct speaks volumes about how much leeway they have been afforded over the years.

Not only that, ruling party politicians themselves, rather than condemning or preventing such criminal conduct by their supporters, often come out and criticise the media for exposing it. And that just goes to show the lack of remorse they all feel in the face of gross violations of human rights. This cannot happen indefinitely. We call on Awami League leadership to reign in their activists. The law enforcement authorities also should take stern measures to prevent such attacks and project journalists.

## LETTERS TO THE EDITOR

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## Compensation for road crash victims

It is good to know that the government has finally come up with a compensation package for road crash victims and their family members. When the Road Transport Act, 2018 was enacted five years ago, the compensation package was not settled and this deprived victims and survivors severely. Till now, thousands of survivors and victim's families remain without compensation. Although Tk 5 lakh may not be enough for families who have lost their loved one/s to road crashes, it is still a commendable move.

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ZILLUR RAHMAN

Law Minister Anisul Huq recently stated that he thinks the misuse of the Digital Security Act, 2018 will stop after the enforcement of the proposed Cyber Security Act. He said the problems (that is, some sections of the DSA) which worried the journalist community would be gone, and so the harassment of journalists would also stop. It is supposedly *not* an "old wine in a new bottle."

However, just a casual look into the draft CSA will prove to anyone that the optimism expressed by the law minister is entirely unfounded.

One of the most prominent critiques of the current DSA came from the Office of the United Nations High Commissioner for Human Rights (OHCHR) in the form of the OHCHR Technical Note to the Government of Bangladesh on review of the Digital Security Act, published last year. In the report, the UN body highlighted three major issues with the DSA. Firstly, the vague and overly broad provisions of the DSA criminalise various legitimate forms of expression with overly harsh sentences. Secondly, the powers granted to the police and the Bangladesh Telecommunications and Regulatory Commission (BTRC) are far too broad. Thirdly, the offences stipulated in the DSA are non-bailable and allow pre-trial detention.

Of course, one has to give credit where it is due. Under the drafted CSA, the significant positive changes include making several non-bailable offences bailable and also cancelling provisions for repeat offenders.

However, the key issues arising from vague provisions and the broad powers of police and the DSA enforcing agency remain totally unaddressed. Therefore, the function of the DSA as a tool for suppressing freedom of speech is entirely untouched by reform.

I would like to focus on a particular part of the CSA, which encapsulates the worst aspect of this problem.

When the ICT Act was replaced with the DSA in 2018, the government repealed Section 57 of the ICT Act, but all its provisions were included in four separate sections of the DSA. Namely, Sections 25, 28, 29, and 31. Of all the cases filed under the ICT



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Act, 65 percent were under Section 57. Since the DSA came into effect, the number of cases filed under the aforementioned four sections have exceeded 1,500, according to data collected by the Centre for Governance Studies. Almost one-third of all cases filed under the DSA are under Sections 25 and 29, mainly for defamation.

The UN human rights office observed that Section 25 – which criminalises "offensive, false or threatening data information" – and Section 29 – which criminalises "defamatory information" – of the DSA relate to acts considered civil liability issues in many other countries. The OHCHR also noted that these sections "do not include defences, such as the defence of truth or a defence for public interest in the subject matter..."

The core problem of these two sections in the DSA is that they are considered "desacato laws," meaning that they are laws which penalise offensive expressions directed at public officials and restrict freedom of expression and the right to information. These two sections are the most misused of the DSA, and are

primarily used to target journalists and members of opposition political parties.

In the new CSA, the clauses under Sections 25 and 29 have been untouched. Simply allowing bail does not address the issue of why and how these two sections are being misused. Instead, by keeping the defamation

fall short of Article 19(3) of the International Covenant on Civil and Political Rights (ICCPR). Bangladesh has been a party to the ICCPR since September 2000.

Similar to the findings of the OHCHR, an analysis by the Sampadak Parishad (Editors' Council) stated that Section 25 of the DSA directly

clauses as a criminal offence subject to a fine of Tk 25 lakh, the process of suppression has been streamlined. It has to be understood that Tk 25 lakh is not pocket change for the average Bangladeshi citizen. For many in the middle class, especially those who are young, that amount equals their life savings. By adopting this approach, the police may no longer have to bother tracking down the accused individual, go through the hassle of picking them up and filling out the paperwork. Instead, fines can be easily sent out in mass against a large number of targeted people, who will inevitably fail to pay the exorbitant fine and will later be collected by police whenever it is convenient for the latter.

The OHCHR has repeatedly stated a general view, under international human rights law, that defamation should be decriminalised as it discourages the media from publishing critical information on matters of public interest, thus posing a threat to freedom of expression and access to information of all kinds, and impeding journalists' legitimate work performance. Thus, the OHCHR is concerned that these sections

affects all investigative reporting in the media. Such reports are usually about some irregularities performed by institutions and individuals. Corrupt people might use this law to intimidate journalists and media organisations, and try to prevent the publication of such stories on the pretext that the reports have attacked or intimidated them. Regarding Section 29, they restated that a law already exists to deal with defamation, so a separate law for digital media is unnecessary.

The way to stop the CSA from being used against freedom of speech would be to turn the acts under Sections 25 and 29 into civil liability issues instead of criminal ones. For this, three things have to be ensured. Firstly, the criminal defamation laws have to be replaced with civil laws that are more narrowly defined. Secondly, only the party who is the alleged victim of defamation or harm to reputation should be allowed to file a case against the alleged perpetrator. And lastly, the sections must include defences and exemptions in regards to defamation, such as the defence of truth or a defence for public interest in the subject matter of the criticism.

## The debt supercycle comes to China



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KENNETH ROGOFF

The 2008 financial crisis in the United States kicked off a debt supercycle, which spread to Europe in 2010 and has recently engulfed many of the world's low-income and lower-middle-income countries. Could the debt woes of Country Garden, the behemoth Chinese real-estate developer now facing billions of dollars in losses, augur the cycle's next turn?

The answer remains unclear. While the Chinese authorities have a remarkable track record when it comes to containing economic crises, the challenges posed by a significant growth slowdown, combined with high debt levels – especially for local governments and the property sector – are unprecedented.

China's current problems can be traced back to its massive post-2008 investment stimulus, a significant portion of which fueled the real-estate construction boom. After years of building housing and offices at breakneck speed, the bloated property sector – which accounts for 23 percent of the country's GDP (26 percent counting imports) – is now

yielding diminishing returns. This comes as little surprise, as China's housing stock and infrastructure rival that of many advanced economies while its per capita income remains comparatively low.

At the same time, in what had once seemed like a race between a tortoise and a hare, the US is speeding toward artificial-intelligence-powered technological innovation and higher long-term economic growth. As highly respected Wall Street Journal economics commentator Greg Ip recently put it, "No one talks about secular stagnation now," referring to a theory that a chronic deficiency in global demand and economically important innovation will hold down growth and real interest rates long into the future.

Funnily enough, I said much the same at a conference seven years ago. In my presentation, which was based on my 2015 paper "Debt Supercycle, Not Secular Stagnation," I explained that post-crisis malaise was typical and would at least partly fade. I then conjectured that "in nine years, nobody will be talking about secular

stagnation" – a perhaps hyperbolic remark to underscore the point.

Over the past decade, the overwhelming consensus in academic and policy circles has been that the world is deeply mired in an era of ultra-low interest rates driven by weak growth fundamentals. And in fact, it remains so today. For example, Northwestern University economist Robert J Gordon's magisterial history *The Rise and Fall of American Growth* offers persuasive arguments for the death of innovation and the end of growth. Gordon posits that post-1970s inventions – even the computer revolution – are not nearly as economically important as, say, the steam engine or electricity generation.

Billionaire investor Peter Thiel and former world chess champion Garry Kasparov made similar arguments in a 2012 debate on the topic of "Innovation or Stagnation" at the University of Oxford. Arguing on the "innovation" side of that debate, I pointed to advances in chess that heralded the coming of an AI age, while also noting that commercial innovation invariably stalls at times, for example during the Great Depression. In fact, my greatest concern has never been an end to innovation, but rather that the rise of AI will outpace our ability to control it.

There are strong arguments for secular stagnation on the demand side, owing to demographic decline. In a brilliant 2013 speech, Harvard economist Lawrence H Summers argued that only a continuing

shortfall in global demand could explain the era's ultra-low interest rates, triggering an avalanche of research on fundamentals that could explain the demand deficiency. Progressive politicians have used this work to make the case that bigger government is needed to fill the void. Summers, however, was more circumspect, advocating increased investment in infrastructure and education, and outright transfers from rich to poor – ideas with which I strongly agree.

But despite some good arguments for secular stagnation, concerns about sustained slower growth are overblown. Charles Goodhart and Manoj Pradhan have challenged the view that demographic decline inevitably lowers demand by pointing to the rapidly growing elderly population.

Moreover, long-term trends are not wholly responsible for the spectacular collapse in real interest rates after the 2008 crisis; the collapse was at least partly because of the crisis itself. After all, interest rates also fell to zero during the Great Depression and stayed there – until they didn't. Notably, the rate on ten-year inflation-indexed Treasury bonds is currently well above its average level of about zero from 2012 to 2021.

The debt supercycle may have lasted longer than initially expected, perhaps because of the pandemic. But it was a critical piece of the story, and now, as China's economy falters, it is the best explanation for what might come next.