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BLACK MONEY AND MAURITIUS ROUTE

Beyond Crony Capitalism

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Capitalism is an unlovable system, and what is unlovable will not be loved
—Wassily Wassilyovich Leontief

Indians have deposits in Swiss banks ,notionally estimated at about US $ 2.5 billion (over Rs 11,000 crore) but it might be understated too, according to the Press Trust of India. (http://timesofindia.indiatimes.com/india/Indians-may-have-much-more-than-25-billion-in-Swiss-banks/articleshow/9345724.cms). Indeed US $ 2.5 billion is a small fraction of India's aggregate illicit domestic capital outflows. On an average, anywhere between US $ 22–27 billion flows out discreetly out of India. But India is nowhere near China in illicit capital outflows as the corresponding outage is between US $ 233 billion and US $ 289 billion during the period, wrote John Christensen, director, Global Tax Justice Network and an authority on secrecy jurisdictions (Foreword to M R Venkatesh–*Sense, Sensex and Sensibilities–The Failure of India's Financial Sentinels*–K W Publishers, New Delhi, 2011).

Unfortunately, most of the Leftist columnists want poor Indians to believe that India ranks top among all the countries in stashing away black money . Without bare minimum homework, they go on conceitedly saying that the deposits Indians secretly have in Swiss banks are more than such secret outflows by other countries together suppresses the real global threat of subterranean economy as if no country as corrupt as India, blissfully unaware of the new reality that Swiss banks have long ceased to be the main refuge of unaccounted money or never pondering as to why terrorist outfits do not generally park their funds in Swiss banks. Secondly, those fire-eating economists–let alone parties like the CPI(M), CPI and CPI(ML) Liberation are carried away emotionally by China's economic growth and consider Chinese economy as a model. Between 2000-2008, China was top among the world's exporters of illicit capital with a US$2.8 trillion of outflows, followed by Russia (US$427 billion), Mexico (US$416 billion), Saudi Arabia (US$302 billion) and Malaysia (US$291 billion or RM888 billion). Other Asian countries with high illegal capital flight are Philippines ($109 billion), Indonesia ($104 billion) and India ($104 billion), disclosed Lim Guan Eng in Malaysia on 23 January this year (http://dapmalaysia.org/english/2011/jan11/lge/lge1197.htm., accessed on 26 July,2011). In November 2007, the Chinese Prime Minister Wen Jiabao admitted , "There are a lot of abnormal factors, including underground banking, illegal fund inflows and outflows," in the *Economic Observer*, a Chinese-language mainland newspaper. It was carried in *Financial Times*, London (http://www.ft.com/intl/cms/s/0/1d0f8752-96ee-11dc-b2da-0000779fd2ac.html#axzz1TEumNhhP, accessed on 20 July, 2008). But India's fire-eating Lefties find it too difficult to believe that money-laundering goes unabated in China and it could be way above India, Saudi Arabia, Russia and Mexico in generation of illicit outflow of domestic money. It's time to get rid of emotional attachment of post-Mao China for its silence on unbridled proliferation of black money. No developing country should emulate China, nor look up to the great country as a socialist country.

Worrisome as it may seem, India is facing the threat of financial subjugation due to exponential spread of money laundering which is too complicated to be explained by bookish or conventional concept of finance capital by official or copybook Marxism. It does not mean to ignore the famous Austrian Marxist economist Rudolf Hilferding's path-breaking formulation that finance capital was the lever of imperialism still holds. "The development of finance capital changes fundamentally the economic, and hence the political structure of society. The individual capitalists of early capitalism confronted each other as opponents in a competitive struggle. This conflict prevented them from undertaking any common action in politics as in other spheres. It should be added that the needs of their class did not as yet call for such common action, since the negative attitude of industrial capital to the state did not allow it to come forward as the representative of general capitalist interests", he wrote in 2010 and that's basically true.

The Daily Pioneer carried an exclusive story on 22 June this year, captioned, ***One address, 38 investors, all via Mauritius***, which states, "The daily updated list of Foreign Venture Capital Investors (FVCI) registered with the Stock Exchange Board of India (SEBI) shows that out of the total 135 foreign companies, as many as 38 are Mauritius-based having same address, phone and fax numbers".

The companies are :2i Capital PCC, Aditi Investment Holdings Limited, Advantage Fund S3 DIF II, AIF III Sub Pvt. Ltd, AMIF II Ltd, AOF HS Mauritius Ltd, Aquarius Capital (Mauritius) Limited, Ares Investments, Ashoka Investment Holdings Ltd, Battery Venture VII Mauritius, Battery Ventures VIII FVCI (Mauritius), Canaan VII Mauritius, Canaan VIII Mauritius, Citigroup Venture Capital International Mauritius Ltd, CV Global Holdings Inc, CVCIGP II Client Ebene Limited, CVCIGP II Employee Ebene Limited, DFJ Mauritius Inc, Dynamic India Fund V, Greylock (Mauritius) Inc, Hema CGPE Ltd, Hema CiPEF Ltd, IDFC Private Equity (Mauritius) Fund III, Jafco Asia Technology Investments IV (Mauritius) Limited, JAFCO Asia Technology Investments III (Mauritius), LB Ventures (Mauritius) Ltd, Monet Limited, Nea FVCI Ltd, Nea Indo US Venture Capital, Norwest Venture Partners X - Mauritius, NYLIM Jacob Ballas India (FVCI) III LLC, Renoir Limited, Sandstone Private Investments, Sequoia Capital GF IV Mauritius, Sequoia Capital India Growth Investment Holdings II, Tano Mauritius, Walden Investments VI, Zephyr - Peacock India-I. They pump billions of dollars into Indian market.

The news item, further revealed, "The daily updated list, which exhibits the registered foreign investors from 2001, shows that these 38 companies' address as: IFS Court, Twenty Eight Cybercity, Ebene, Mauritius. Tel: (230) 467 3000 Fax: (230) 467 4000. In fact, 2i Capital PCC is the first firm which was registered with the SEBI in 2001 on the above-mentioned address. "So that's our capital market regulator, Securities and Exchange Board of India''. It went on, "The scrutiny of the addresses leads to one International Financial Services in Mauritius. Apart from these 38 firms, another set of five FVCIs has also shown their address to 'care of' this Mauritian company, though the street is different. According to the details provided by the website of International Financial Services, the company was founded in 1993 by one Kapil Dev Joory and Couldip Basanta Lala. The company also claims that they are administering the funds of financial majors like Lehman Bros, AIG, Citi Group, Merrill Lynch, New York Life, AMP etc.''

Wait, the Mauritian firm company handles "funds of Indian companies like ICICI, HDFC, Tata Group, IL&FS and UTI. The company also claims it is a member-firm of the Institute of Chartered Accountants in England and Wales."

There is every reason to believe that SEBI approved the 38 companies and the Reserve Bank of India was in the know in the things, and allowed them get registered. A scrutiny of SEBI's records disclosed that out of 135 registered FVCIs, only two are from Singapore and Cyprus, the rest in Mauritius.

It's very clear that most of these companies are owned by the Indians, but not as outfits or subsidiaries of any corporate group. Incorporation in Mauritius was after the signing of Double Tax Avoidance Agreement (DTAA) in 1983. Second, SEBI had a collusive role allowing transactions of funds of financial majors like Lehman Bros, AIG, Citi Group, Merrill Lynch, New York Life and AMP as also ICICI, HDFC, Tata Group (finance), IL&FS and UTI by any company incorporated in Mauritius. Third, patronising money-laundering by the Institute of Chartered Accountants in England and Wales. Sadly true, Mauritius is haven for the majority of nouveau riche thriving on the parallel economy as the country in the south-east coast of the African Continent provides statutory immunity for black money transaction, courtesy SEBI's anti-national role.

All this vouchsafes the path of an expanded crony capitalism as in most of these companies foreign-holding is substantial. Large corporates may covertly buck up the informal capitalism today is under the powerful hegemony of international finance capital that influences even the wars in Iraq and

Afghanistan. The impress of crony capitalism is sizable investment by chartered accountants, lawyers and investment consultants whose interests are solely confined to money-spinning, not industrial investors or financial concerns/corporations. They make huge gains only through complete waiver of capital gains tax but this advantage is not applicable to business income which does not attract provisions of DTAA. The Supreme Court of India in a landmark verdict on a public interest litigation in 2003, pointed at detrimental of DTAA which is nothing but a mode of treaty shopping .Second thoughts be given by the government on 'whether it (DTAA-SR) should continue", the apex court suggested.

A Supreme Court order on 4 July last about black money lends credence to this perception : "The issue of unaccounted monies held by nationals, and other legal entities, in foreign banks, is of primordial importance to the welfare of the citizens. The quantum of such monies may be rough indicators of the weakness of the State, in terms of both crime prevention, and also of tax collection. Depending on the volume of such monies, and the number of incidents through which such monies are generated and secreted away, it may very well reveal the degree of 'softness of the State.'

> "If the State is soft to a large extent, especially in terms of the unholy nexus between the law makers, the law keepers, and the law breakers, the moral authority, and also the moral incentives, to exercise suitable control over the economy and the society would vanish. Large unaccounted monies are generally an indication of that."
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> "The more soft the State is", succinctly comments former CPI(M) Rajya Sabha member Dipankar Mukherjee, "greater the likelihood that there is an unholy nexus between the law maker, the law keeper, and the law breaker."

The murky side of Mauritius is overshadowed by its mesmerizing sea beeches that generate an inebriating effect on the upper middle class which is enamoured of Mauritius. Indians have soft corner for the scenic island for socio-demographic reasons. People of Indian origin are a dominating factor in the politico-economic life of the country. But scarce is awareness about how the tiny country is being used to structurally weaken the Indian economy. No resident of Mauritius can be taxed on capital gains out of sale of shares in India. This is a sequel to the signing of DTAA. Small wonder, 45 percent of total foreign investment in India between 2000 and 2009 was from Mauritius, trailing far behind which in order were Singapore (9 p.c.), USA (7 p.c.) and UK (6 p.c.). But if one asks ten Leftist trade unionists, ten political activists or ten civil rights campaigners which countries have contributed most in foreign direct investment in India, at least eight in each of the above categories will name , beaming with over-confidence, the US, the UK, France and or Germany.

SEBI apart, the deceptive silence of the Institute of Chartered Accountants of India cannot be overlooked . Its top brass virtually collaborated with financial profligacy. There are no dearth of instances. Two of the most abominable scandals – Global Trust Bank and Satyam Computer Services – couldn't happen but for the immoral cover-up by a single firm of chartered accountants PwC. The Joint Parliamentary Committee had indicted both the firm and criticized the passive role of statutory auditors in no uncertain terms. Venkatesh, an intrepid chartered accountant and an ICAI fellow, bluntly observed in an interrogative mode. " Why did the ICAI keep quiet for over five years before it began acting against the auditors of GTB?"- the interrogative inference is from Venkatesh whose well-researched treatise helps readers understand the hydra-headed monster – subterranean economy and its power.

The deep penetration of alien financial interests into the mixed economy of India is a matter of very serious concern. Needless to say, this mixed economic model is the basis of a political economy that helped adoption of progressive concepts-in-use like the formulation of non-alignment and an independent foreign policy –maybe in keeping with the class interests of the ruling bourgeoisie.

ICAI hasn't the guts to delicense firms such as PwC even after one of its partners was arrested in the Satyam scandal. PwC has made inroads into every state government including the erstwhile Left Front government in West Bengal, let alone the Central government. The ICAI seems intentionally overlooking the profligate role of PwC in the global arena. In December 2006, it was accused of preparing "a false audit for Yukos and of assisting the crisis-stricken oil company in avoiding taxes" by the Federal Tax Service of Russia . Yukos got stuck in the quagmire of financial scam forcing criminal proceedings against the then Yukos supremo Mikhail Khodorkovsky, who along with his accomplice were sentenced to eight years' imprisonment for fraud and tax evasion in 2004. PwC allegedly 'helped the oil firm avoid paying some of its taxes until 2005. The tax service is also demanding $145,000 from PwC, the amount that Yukos paid for the audit', according to an expose, carried in *The Moscow News* (27 December 2006). The ethics of auditing was trampled as two audits were submitted for 2002 - one warned of illegal actions by Yukos and was meant for internal use, and the other one was for shareholders and the two didn't mutually corroborate. The Russian tax authorities slapped an accusation on PwC for non-cooperation with the tax inspectors. Queries, sent from August 2006 to PwC about the Yukos audit remained unanswered for over a month.

In January 2000, Securities & Exchange Commission of USA rapped PwC for over 8000 violations of SEC rules pertaining to 'independence of auditors'. PwC's Florida outfit was censured. About 2000 individuals, including half of PwC's US partners, owned shares in companies audited by it (Auditory discomfort, *The Economist* 15 January 2000). The then PwC chairman and CEO had to tell the partners in disgust that the SEC conclusions "would be embarrassing."

There is no well-defined perception about crony capitalism. *Financial Times Lexicon* defines it as "often inefficient and corrupt system of business in which family and friends are favoured for government or company contracts, even if better candidates are available". The exponential monetary gains, achieved by General Suharto, under the tutelage of the CIA after the massacre of Indonesian communists and their followers or fellow-travellers in mid-1960s witnessed exactly this pattern. A more lucid explanation about crony capitalism which is very different from 'comprador capitalism' is "a form of capitalism in which business contracts are awarded to the family and friends of the government in power rather than by open-market tender". Over the years, after the opening of the era of globalization, this has imbibed other crucial characteristics. Much of this is discreet, hidden. Comprador capitalism was no hide-and-seek system or systemic structure.

There is no point in joining issues with those who still bask in a copycat fashion to drive a strange point home that India has been a semi-colonial and semi-feudal economy and ruled by the comprador bourgeoisie or the neo-liberal fangs of US imperialism had enacted the whole thing. They never ask how did Indian bourgeoisie liberate Goa from the Portuguese colonialism, if they belonged to the category of comprador bourgeoisie, let alone try to study the emergence of crony capitalism. Samir Amin too does not support the semi-colonial or semi-feudal characterization of Indian bourgeoisie prior to 1991. He thinks, "The Congress Party governments of independent India implemented a national plan that, typical of its time, was influenced by the victories of the national liberation movements of Asia and Africa after the Second World War. The parties (political forces that were mobilized during this fight for independence, modernization, and development) henceforth in power enjoyed undeniable legitimacy, but the plans they put into effect were undermined by the ambiguities that characterized the liberation movements themselves. These plans were anti-imperialist inasmuch as they fully understood that modernization and development required national liberation first of all. But that is where they stopped, believing they could impose the adjustments on the globally dominant system (world capitalism) necessary to allow the nations of Asia and Africa to establish themselves as equal partners and by this means progressively overcome the handicaps of their "backwardness". In spite of their successes, the scope of which has never been negligible, they did not ultimately succeed and rapidly encountered the limitations of their strategic ideas. (Samir Amin–*India: a Great Power*, Monthly Review Feb 2009)

The pattern of subterranean economy needs to be scanned discretely. Let's take a quick view at the volume of corruption. During the past decade, money laundered out of India is conservatively estimated at Rs 1,886,000 crores or $419 billion, by Pune-based Indiaforensic, a fairly authentic outfit engaged in fraud examination, security, risk management and forensic accounting research, whose expertise is often commissioned by the CBI. In its latest report, ascertaining size of corruption in India with respect to money laundering , it observed, "If the Gross Domestic Product-based money laundering model is translated to quantify the corruption, then the size of corruption in the last decade is Rs 1,555,000 crore or $345 billion in India. It undertook an analysis of scarce data available for measuring money laundering described through three models–property recovery, crime based and GDP based. "The three models gave details of quantum of money laundering. They are based on the statistics by National Crime records Bureau (NCRB)," according to its founder-member Mayur Joshi who is an expert on anti-fraud and money laundering operations. Some features of the study make interesting reading. The total recovery of crime-generated money between 2000-2009 by the NCRB was merely Rs 190 crores from 70,773 cases in contrast to the total loss of Rs 22,528 crores to the national economy. These are obviously due to financial crimes such as commercial fraud, smuggling, drug trafficking, bank frauds, tax evasion and corruption was pegged . Going by the GDP model the figure is estimated at Rs 1886,000 crores owing to money laundering in various ways.

According to the International Monetary Fund, money laundered in India is anywhere between 2.5 to 5 per cent of GDP of the world. Based on all this, Indiaforensic infers, "The size of money laundered is Rs 1,886, crore and the corruption in India could be more than Rs 1,555,000 crore." And that means corruption per capita grew up in a decade Rs 836 to Rs 2,218 a year.

Scholars and civil rights activists, genuinely concerned about the proliferation of corruption through money laundering through various means would help people fathom into the nature and trend of awkward forays by crony capital into the Indian economy which is different from the foreign-investment-based economies of Latin America, Africa and even some Asian countries. Epithets like US imperialism, neo-liberalism and LPG (liberalization, privatization and globalization) won't be of any help to understand the menace unless identification of fangs of finance capital explored in depth.

The destructive growth of crony capital is best understood through the bonhomie between the ruling classes of India and Mauritius, especially after the DTAA was in operations. That was a myopic decision, of course, not for those that had a clear vision of monetary loot under cover. One country, India, has a plethora of taxes, duties etc while the other side , Mauritius, has none. The DTAA is a farcical step to streamline taxes and duties. It gave a statutory cover to money-laundering. It immensely harmed India's mixed economy which is essential in the continuance of parliamentary democracy.

DTAA was signed to ensure that no resident of Mauritius would be taxed in India on capital gains arising out of sale of securities in India. Mauritius subsequently abolished capital gains tax. Actually, tax regime ceased to exist there. The advantage was reaped by Mauritius-based foreign institutional investors (FIIs) investing in India. The Union finance ministry now admits DTAA is being misused, realizing that some clauses lead to what was coined as treaty shopping. Interestingly when P Chidambaram was the finance minister, he took kindly to the forewarnings about ills- of DTAA with Mauritius.

The Organization for Economic Cooperation and Development (OECD), which has been spearheading the global crackdown on tax havens in a study on information exchange and transparency of tax and investment rules in Mauritius, found the DTAA flawed. As an example, it noted, that a nominee could register a company with the Mauritian registrar of companies (RoC) on behalf of another person. Moreover, the RoC did not verify whether the shareholders mentioned in an application were really shareholders of the company or not. Needless to say, tax havens like Mauritius slash incentives to conduct business in high-tax countries. Evidence suggests that the presence of nearby tax havens stimulates activity in high-tax locations.

The OECD in its 2000 report *Toward Global Tax Co-operation*, (a part of the bigger document, *Report on Harmful Tax Competition: An Emerging Global Issue*, 1998) pertaining to its war against money-laundering listed out 35 jurisdictions, mostly small island nations, as tax havens. It's objective was to stigmatize those nations practicing harmful tax competition in an attempt to discourage investors from engaging in further transactions in these now notorious financial centres.

There is no denying that OECD, the conglomerate of international capitalist system, is frightened by the demonic money-laundering phenomenon which is, truly speaking, sets about a chain reaction within the framework of global finance capital and once this fissile process begins, nobody knows how and where to control this.

The OECD's stringent stance has yielded some results. For instance, Commonwealth of Dominica had to close down one of its banks and forced several other banks to flee the island on their own volition to sever association with the nation blacklisted as engaging in harmful tax competition. Financially hit due to a sharp drop of revenue, Dominica was to alter its national budget to include increased domestic taxes on fuel sales, cable, and telecommunications services as well as cuts in the size of its government's cabinet.

Neoliberal order of global finance capital has a somewhat non-antagonistic relationship with the subterranean capitalism. Which is perhaps why the US defected away from the OECD's campaign in 2001. It made no bones of its apathy in global tax harmonization, efforts to coerce foreign nations to adopt specific tax policy, and aggressive policies against tax evasion,. The US withdrawal weakened the overall aggressiveness of the campaign against tax evasion, lifting sanctions on tax havens practicing ring fencing and the like. To say conceitedly that it was natural because of inter-imperialist contradictions as inter-imperialist is basically within the frame of intra-imperialist bonhomie, at least going by the contemporary experience. If someone wants to refute it by conveniently quoting Marx or Lenin, one may risk of being ridiculed.

Mauritius is one of the 70-and-odd tax havens - apparently known as tourist centres–which Venkatesh crisply defined as “the most glamorous places in the world – places where one would expect bond movies to be shot”. These are at distant places of the planet but “accessible from virtually every country... They entice, encircle and enchant you”. But these havens are uncompromising on secrecy. You can't get their information from banks or tax-collectors/assessors. “Secrecy about the beneficial ownership of the entities is in-built’’.

Two students of Gujarat Law University in Gandhinagar–Shashank Manish and Arun Soni – did a comprehensive dissertation on tax havens and money-laundering in India. In the abstract of the paper, they made interesting observations. “These offshore havens” face “intense international criticism given their role in eroding foreign tax revenues by offering markedly low tax rates and facilitating domestic tax evasion and money laundering through strict financial secrecy laws.” But they admit, “Globalization has resulted in the erosion of business boundaries. However, with law enforcement still nationally implemented, the freedom gained through globalization is being abused from such acts as tax evasion” .

Needless to say, tax evasion weakens a government's potentials for raising revenue while “tax abusers”, the two students rightly note, shift financing burdens onto others. This forces governments to cut back on social and infrastructure projects.

Money laundering and hawala transactions are inseparably linked. Hawala originated in India, as Hundi which was virtually held legal. Although Hawala is conceptually an informal banking system, it is super-fast in transactions and reliable for operators for both sides of transactions. “In a globalised world”, Venkatesh aptly wrote, helps “anyone with ill-gotten wealth transfer money from one jurisdiction to another so as to escape the long arm of the law in the country of origin of such wealth in the first place. A few thousand pounds given in London to a Hawala banker, can turn into Indian currency within few minutes, thousands of miles away in distant India”. The myth of transparency due to Fund-Bank reform is ridiculed by money laundering through Hawala. Globalization facilitated strange industrial investors like the Agarwals of Vedanta Resource plc, Paban Ruia and Purnendu Chatterjee. The revelation that the real financier of Vedanta Resources are two controversy-tinged Swiss banks is an eerie of crony capitalism.

Imperialism, globalization, black money-raj and the like are pet revolutionary words which people in this part of the globe are accustomed to give audience in seminars, symposia and political rallies. These are all true but extremely scarce are incisive investigations about the menace of crony capital. No wonder, biggies among the top ministers strongly criticize the Naxalites or Maoists and issue frequent warning. Then Union minister of home affairs P Chidambaram launches verbal missiles, avowed to liquidate them as terrorists but are silent about 'financial terrorism'. The US president Barrack Obama had to admit that money laundering fuels terrorists like Al Qaeda, but still relatively soft about the menacing growth of tax havens through money laundering.

If Chidambaram, Yashwant Sinha, Jaswant Singh and Pranab Mukherjee – even Dr Manmohan Singh – during their tenures as the Union finance minister were morally committed to checkmate the proliferation of black money or money laundering therewith, they would at least recast and revise the mechanism of participatory notes (PN). Here again Venkatesh did a great service in exposing the deliberate indifference to prevent PN from acting as a catalyst to the dangerous growth of parallel economy that encourages terrorism as a profession. JPC clearly stated, "A PN is issued outside India and represents a transaction between two non-resident Indians who are not subject to the Indian laws. PNs are extra-territorial instruments and SEBI has no regulatory jurisdiction over them. SEBI has expressed suspicion that some of the Indian promoters have purchased shares of their own companies through PNs by sub-accounts of FIIs". These loopholes were deliberately incorporated in the Regulations such as 15A of FII. If any FM has personal interests in the PN, the immorality remains ingrained. Things could have been in the other direction had at least former and current Left MPs like Dr Ashok Mitra, Gurudas Dasgupta and Dipankar Mukherjee were a little more diligent to study FII regulations and expose the powers–that–be.

Now about the conspiratorial approach towards statutory cost audit which at least ensure transparency that defenders of liberalization often talk about as if transparency is the keyword of LPG. This conspiracy began more than a decade ago. This year too, through a notification on 3 June 2011, the Government of India brought all industries of the country (excepting seven, for which existing cost accounting provisions remain intact) within the ambit of statutory cost accounting under section 209(1)(d) of the companies act and prescribed a common format for cost reporting and mandated annual 'compliance reporting' thereof by a cost accountant. The hidden intention was to render qualified cost accountants redundant as if statutory auditors or practicing chartered accountants are competent enough to do cost audit.

Some conscientious cost analysts refused to accept this assault silently. Former senior director (research), Institute of Cost and Works Accountants of India, Siddhartha Sen exposed the motive in an article *Farewell to Cost Audit* in *Sakaal Times* on 28 June,2011. Tracing the origin of subterfuge against statutory cost audit initiated by Dr Omkar Goswami, a staunch defender of LPG, he wrote, "In 1997 an expert group headed by Omkar Goswami mooted the idea to do away with the very provision of statutory cost audit. This created a furor all over the country and ultimately the suggestion to eliminate mandatory cost audit was dropped in the final report of the expert group. The main argument was that in a liberalized economy the individual companies are the best judge: how to keep and manage their costs. So what is the need of an external cost audit? On the same logic companies are also best judge how to keep financial data and manage them. But that never leads to the question of doing away with the statutory provision of financial audit. On the contrary despite liberalization there is rather increasing financial profligacy and huge, mega scams starting from Enron down to Satyam fiasco. That is why there has to be better regulation whether in relation to financial or cost audit as well as more pervasive cost & financial standards. Successive Parliamentary Committees however, put greater emphasis on mandatory cost audit and preferred coverage of all industries including service sector. That is how Electricity generation & distribution and telecommunication industries came under the purview of statutory cost accounting and audit. Cost accountants profoundly disagreed with the queer logic that a common format of cost accounting will do away with the monitoring of 'industry specific cost characteristics', which is needed for ensuring strategic competitive cost management in the context of global competition and WTO regime''.

Sen's rebuttal had a lightening effect. The Centre revised the notification and brought eight more industries under statutory annual cost audit although they came under the purview of 'common' cost accounting rules (that originally provided for 'annual compliance reporting' rather than cost audit) .Those companies have annual turnover in excess of Rs 100 crores.

Marxists and non-Marxist critic of neo-liberal capitalism (like David Corten, the famed author of *When Corporations rule the World*) have to study the coalescence between financial giants in the international arena and their subordinate collaborators in developing countries like India, Pakistan, Mauritius and Latin American economies. All will agree that it is not enough to explain these trends away as extension of finance capital, which Rudolf Hilferding – subsequently elaborated by Lenin – identified as the vehicle of post-colonial capitalism or imperialism.

But Marx remains vindicated. The OECD report is an implicit admission that capitalism is "grave-digger" of itself. The dissociation of the USA from OECD's bid to scuttle money-laundering reflects a split in the neo-liberal capitalism, the modern face of imperialism. Moreover, the US rulers are disingenuous in taking on global terrorism that thrives on large-scale money laundering. India in the post-USSR era is no intrepid in taking on international terrorism, reflecting a subdued subservience to the US imperialism. Former National Security Advisor MK Narayanan, now Governor of West Bengal at the 43rd Munich Conference on Security Policy in 2007, focused on the "issue of financing terrorism in the context of a sustained and multi-pronged combat against international terrorism", but back home like the home minister P Chidambaram, he too blamed the *terrorists* and not the *financiers of terrorism*. That might stirred the hornet's nest. Who knows such a move might a subterfuge against some biggies of the Indian National Congress and the Bharatiya Janata Party, even if for argument's sake leave India's largest political party in the parliamentary arena.

Last but not the least, the most powerful community in even money-laundering is the IAS army. How come the IAS officers are almost never nabbed in major corruption scandals although numerous IAS officers joined large corporates including the MNCs after superannuation?

NOTES:

Since 2010, the major Swiss banks Credit Suisse and UBS have been financing the world's most controversial mining firm: Vedanta Resources that clocked the number two spot on a 2009 list of "most environmentally and socially controversial multinational companies" by RepRisk, a service provider for reputation risk, specializing in the financial sector. Vedanta took third place in 2010, right behind Transocean and BP. The acceptance of Vedanta as a new client shows that Credit Suisse and UBS disregard human rights in their business dealings. The expose was uploaded in April last year on the website www.banksandhumanrights.ch, launched by the Berne Declaration. It scanned how the big banks deal with the topic of human rights.

With the acceptance of the "Guiding Principles on Business and Human Rights" in June 2011, the Human Rights Council determined that corporations are not only implicated by the direct causation of human rights violations, but also when they come in contact with violations via their products and services. This clearly includes the financing activities of banks, whether directly, via granting of credit, or indirectly, via assistance in the placement of shares and bonds. The UN Special Representative on Business and Human Rights, John Ruggie, states unequivocally with his Guiding Principles that the financial sector also has a responsibility to respect human rights.

"It is shocking that Credit Suisse and UBS finance the scandalous Vedanta. What is crucial regarding banks and human rights is not how the processes look on paper, but rather that these processes are implemented in daily business practices so that banks do not contribute to human rights violations in their core business," says Andreas Missbach, finance expert from the Berne Declaration.