

The Economic Effects of the Money Laundering Phenomenon with Reference to Egypt

Dr. Ezzat Molouk Kenawy

High Institution for specific Studies in Giza, Egypt.

Abstract: The money laundering phenomenon is considered one of the modernist crimes in the age of digital economy and what the financial globalization imposed from fatal challenges on the international financial corporations. Such a phenomenon has a special character because of its complex aspects, overlapped dimensions and its negative Repercussions on the national economy. This phenomenon is based on mixing up funds resulted from Illegitimate activities with another legitimate ones and acting upon re-pumping it into financial order all over the world, something who makes reaching the origins of illegitimate funds very difficult. Therefore, such a phenomenon occupied the focus of interest on the priorities list of many national governments and global organizations for refraining from it through the supervisory and legislative efforts exerted on the international and domestic levels.

Key words : Money laundering - Economic Effects- International and Domestic Efforts - The Role of Banks.

INTRODUCTION

In recent years, the money laundering phenomenon has been on top of the priorities of national governments and regional and international organizations as it is considered one of the phenomena that greatly endangers the future economies of many countries and international and financial corporations. It is difficult to go after it theoretically and practically despite the national, regional and international efforts exerted to beleaguer or alleviate it. Statistics indicates that the total volume of money laundering through international channels reached about 1 billion dollars a year.

According to the estimates of the International Monetary Fund, the volume of money laundering represents about 5% of the world gross domestic product per annum. This percentage may reach about 25% - 50% of the domestic product of some countries embracing such a phenomenon^[8]. Taking into account the gravity of this phenomenon and its political, social and economic repercussions, besides the difficulty in confronting it with traditional methods, fighting it has become a necessary priority of legislative and supervisory authorities all over the world individually and collectively.

The main problem of the present research lies in the economic deficiency arising from this phenomenon as a result of the deficiency of banking and legal legislations against such a phenomenon whether on the national level or on the international one.

In the light of the foregoing, this research aims at shedding light on the danger of the spread of such a phenomenon as it is one of the most up-to-date illegal

operations, and identifying the competent authorities concerned with curtailing or spreading this phenomenon, the most remarkable of which are the financial corporations, banking institutions. The present research also aims at highlighting the national, regional and international role in fighting it.

The researcher assumes that this phenomenon has negative effects and consequences on national and international economies, besides other side effects. Another assumption made by the researcher is that confidentiality of bank accounts is considered one of the main channels that helped this phenomenon to prevail.

As for the research methodology, the researcher used the analytical and descriptive method through describing available information and data and trying to analyze it in the light of literature and studies relevant to the economic theory. In addition, the researcher made use of published periodicals, research and scientific reports that are relevant to the research topic. The research has been divided into 5 parts besides the introduction and results as follows:

- Nature and concept of the money laundering phenomenon.
- Causes and stages of the spread of the money laundering phenomenon.
- The authorities responsible for curtailing or spreading this phenomenon.
- The economic effects of money laundering operations.
- Mechanisms and ways of fighting money laundering.
- Results and recommendations.

Nature and Concept of the Money Laundering Phenomenon:

This Phenomenon is considered one of the new crimes in the age of digital economy as it poses strong and considerable challenges for international business and financial corporations. This crime is called the crime whitening the ill-gotten money resulting from criminal activities committed by people whose personal characteristics do not match with the criminal indicators defined by criminology theories.

This phenomenon is also considered a process of a special character having complex aspects regarding the tracing of the movement sequence of its operations and perpetrators. It is a multi-staged process which is based on mixing up the ill-gotten money with other legally gotten money and working to re-pump it again into the international financial system, which makes it difficult to reach the starting point of the origin of ill-gotten money^[21].

This Phenomenon is considered an exit or refuge for imparting legitimacy on the ill-gotten money obtained through crimes which yields huge amounts of money such as drug trade, weapon smuggling, slave trade, prostitution, financial corruption activities and the proceeds of embezzlement, bribery, foreign currency trade and money forgery. Some analytical studies pointed out that functional and financial corruption practices, especially in developing countries, resulted in the creation of huge ill-gotten fortunes which need laundering in the framework of the phenomenon concerned so that they may turn into legal fortunes. This also applies to computer and internet crimes which facilitated the setting up and managing global networks for illegal activities^[2].

The operations and arts of money laundering varied to the extent that they exceeded the development of the techniques and laws of fighting it. This makes it difficult to track it down practically or theoretically, for it is a co-operative criminal activity in which the negative inclinations of financial and banking experts and those of technical experts converge when laundering money using electronic mechanisms, and also in which converge the efforts of economists and investment experts and those of a group of non-experts knowledgeable of criminal activities within and across the geographical borders, something which made it an organized crime. Those who organize this crime use the most up-to-date technological, economic and financial devices and techniques to achieve their goals by making use of the tremendous material resources they have in employing advisors and experts in different fields for providing them with advice and directives according to the legal and actual circumstances of this phenomenon.

In an attempt to conceal the ill-gotten money and because of the inability to keep this money with banks, these groups sought to buy assets and set up projects to

hush up the real sources and origins of these illegal activities. There are various definitions of the money laundering phenomenon, but the definition of the European Committee Manual for Money Laundering issued in 1990 is considered the most comprehensive and definitive one among the other definitions addressed by many international documents and national legislations. According to this manual, money laundering consists in transferring ill-gotten money obtained through criminal activities and mixing it up with legal money with the aim of hiding the illegal source of this money and avoid the legal responsibility arising from the consequences of such an illegal action^[21].

It is worth mentioning that the proceeds and revenues of the activities related to the phenomenon under study are beyond the scope of the national accounts of all countries and, therefore, it is too difficult to measure it or estimate its magnitude accurately, for it falls under what is called unofficial, hidden or parallel economy, and it represents the illegal side of that economy, as there are legal aspects, but these are not included in national accounts and constitute a high percentage in the economies of many countries, especially developing ones, as a result of the deficiency of legislations and ineffectiveness of the supervision and routine procedures related to administrative affairs.

There's a very close relationship between the money laundering phenomenon and unofficial economy. Unofficial economy involves a set of activities and practices not included in national accounts, and a project will be considered unofficial if those undertaking it partially or completely violate the procedures and laws that must be followed in order for the project to work officially. These procedures include permits, trade register, taxes and social insurance. These projects work in all productive and service fields, whether they are industrial, agricultural or commercial. The hidden economy of these activities is revealed through the revenues and wages recorded in a value that is lower than its real value, and also through the production and services recorded in a value lower than its real value, besides the production of goods and services whose circulation is prohibited^[4]. Some economists believe that some activities of unofficial economy may raise economic prosperity under certain exceptional circumstances which are usually constrictive or prohibitive^[4].

Causes and Stages of the Spread of the Money Laundering Phenomenon:

Reasons for the Spread of the Phenomenon: The spread of such a phenomenon is related to declining role of the State in economic life and the shift from public sector economics connected with socialist thought to market economics and the enhancement of the role of the private

sector so that it may include the majority of economic activities. This has facilitated money laundering operations and increased its magnitude^[5]. Moreover, the contribution of international drug trade and its expansion across international borders have paved the way for the phenomenon to spread. The product of this trade took several forms of stocks that are circulated across international borders, because the transfer of ill-gotten money does not take a long time^[11].

In addition, the rapid progress that occurred to the circulation of money, international trade and communications has greatly helped this phenomenon to propagate through the spread of money exchange firms, foreign and national banks and the presence of international stock markets for exchanging financial stocks and shares and facilitating the use of this money to finance purchasing from abroad. Furthermore, there are foreign financial corporations and firms which invest the deposits and transfers they have in the form of recirculation and use such money in investment and lending processes^[14]. Freedom of movement among countries and abolishment of customs barriers and exchange control, all have paved the way for the fast spread of this phenomenon.^[10]

The hidden economy phenomenon also plays an important role in spreading money laundering operations through turning the proceeds of such hidden economy arising from tax evasion, administrative corruption and complications, and the procedures hindering economic freedom into legal money after laundering and re-pumping it into the official economy.

Stages of the Spread of the Phenomenon: Money laundering involves a number of stages and a series of complex measures which may occur together or individually. In general, such a process has three consecutive stages, each having its own methods and ways as the proponents of the traditional trend think. However, the proponents of the modern trend believe that the consecutive nature of these stages is not always inevitable, for they differ and vary according to circumstances surrounding the phenomenon. The following is a discussion of the views of both trends:^[15]

The Traditional Trend: According to this trend, the money laundering process passes through three stages: the investment or replacement stage, the covering stage and finally the mixing stage. The first stage can be considered a preparation for money laundering, which means getting rid of the considerable amounts of money illegally obtained by transferring them from their place and turning them into different monetary or financial forms such as traveler's checks, money orders and others.

The proponents of this trend think that this stage can be completed through going to gambling halls to gain false profits or resorting to legal activities that produce liquid money such as restaurants, jewelry shops and others, then investing this money by depositing it in banks, transforming money into foreign currency and transferring it abroad by certain means.

The second stage is the covering stage through which money is exchanged in the form of successive financial transactions for the purpose of hiding the accounting origin of such proceeds. In this case, financing means are used through repeating the financing processes from one bank account to another, and afterwards the money distributed in each bank account can be transferred to many other bank accounts. This requires the use of up-to-date techniques in money transfer processes^[11]. Finally, the third stage is represented in mixing up money with legal money to hide its illegal source.

To ensure the success of these stages, the strategy on which the phenomenon under study is based lies in the necessity of eliminating the real source of ill-gotten money and maintaining the sequence of this phenomenon through changing and diversifying the mechanisms related to implementation to obtain considerable amounts of legal money. This requires the presence of obstacles and restrictions which hinder the tracing of the source of this money through the duality of operations, contradiction of data and the formulation of erroneous reports and evidence about the truth of money transfers and international financing operations^[12].

The Modern Trend: The proponents of this trend have it that there are no inevitable stages for mixing up ill-gotten money with legal money, but that the mechanisms through which the phenomenon under study takes place are various and depend on many considerations according to the circumstances of each operation, such as the personality of those undertaking money laundering, the amounts of money to be laundered, and nature of needs towards which ill-gotten money is directed, besides the legal restrictions included in the laws and legislations of the State in which money is to be laundered^[18].

The proponents of this trend see that there are three types of money laundering: simple laundering, supported laundering and perfect laundering. In simple laundering, ill-gotten money is used in consumer expenditure and in investments which do not require high costs, where the focus is on very short cycles for turning ill-gotten money into legal money. This type of money laundering is considered the simplest way since it does not require complex illusive operations such as exchanging currency at banks, money-exchange offices, or gambling halls, which always require liquid money or funds.

The Second type is supported laundering which aims at reinvesting ill-gotten money in greater legal activities compared with the first type. This type occurs in the areas or regions whose legislations are serious and firm in facing such a phenomenon, and this requires accurate mechanisms for reinvesting money, such as speculations in real estate markets so that they may be a justification for the enormous revenue expected from its revenues and this requires opening bank accounts in the regions that enjoy financial privileges^[15].

The last type is perfect laundering which is adopted when it is impossible to rely on the conventional means for justifying the source of ill-gotten money. This requires forming and establishing enormous firms all over the world, as well as import and export companies, banks, insurance firms and airlines, something which requires the use of the most up-to-date commercial and financial technological techniques and tools which hinder the tracing of the real source of ill-gotten money and funds, besides the false lending processes in which the person undertaking money laundering gets a loan funded from the ill-gotten money, which is called self-funded loan, in which the borrower will not repay the loan, and the sponsoring bank with which the ill-gotten money is deposited, repays the loan^[17].

The Authorities Responsible for Curtailing or Spreading this Phenomenon: Banks are to be considered the main authorities responsible for carrying out money laundering processes, as they play a pivotal role in aggravating the phenomenon. This may be attributed to the role of big banks in providing all banking services, specifically the exchange and money transfer operations through traveler's checks and money orders using modern techniques, besides the facilities provided by banks in international trade, purchasing financial tools and putting money out of place.

In addition, the creation of new financial mechanisms such as credit cards, compensation processes, investment portfolios and others, all these have mainly helped to make us consider banks an important mechanism for the steady flow of the revenues arising from the phenomenon under study. According to certain estimates, every year banks contribute to laundering money of about 100 billion dollars in Europe and USA. This money is the proceeds of drug trade alone. As for the money laundered outside banks, it are very marginal^[9]. So banks are considered the main authorities responsible for fighting money laundering activities to protect themselves, in the first place, from financial risks and legal liability arising from their participation in these activities, besides the effective contributions to international efforts exerted to fight such economic crimes. Money laundering operations in the banking system are considered the product of the banking

experience of those working in this system and, therefore, tracking down and revealing such a crime require the same banking experience. In other words, money laundering and fighting it requires technical experience of the same source and environment, but with varying objectives.

Some point out that some banks get high commissions in return for undertaking money laundering operations. In this regard, some justify this by saying that a great proportion of money come from unknown sources and this money should be incorporated into the world economy to be used in production. In addition, keeping bank accounts confidential and away from the intervention of executive authorities is considered one of the bases of democracy associated with the ethics of the banking profession. Besides the prevalence of banking competitive spirit through getting considerable commissions may lead consolidate and reinforce the positions of these banks among their counterparts all over the world^[13].

The contribution of banks in such operations may be due to their subordination to the authorities and organizations in charge of money laundering through controlling such banks and exploiting them in laundering the money of their illegal activities, besides undertaking their ordinary banking activities such as the International Credit and Commercial Bank in London and Ambrosiana Bank in Italy. Those who are indulged in money laundering may set up illusive firms or banks for doing this on a large scale such as setting up a branch of Atlantic Bank in Miami, USA.

Banks may be get involved money laundering operations in good faith as a result of the absence or lack of control or bribing one of their employees. This may be done intentionally for reaping high commissions from such operations^[15].

The Economic Effects of Money Laundering Operations: The money laundering phenomenon has a set of economic effects which threaten national economic and even international economies. Among these effects are the following:

- Money laundering results in a change in the demand for money and a decline in its purchasing power and its irresponsiveness to overall economic indicators.
- Money laundering creates a kind of uneven competition with real investors in society, as firms established and funded by ill-gotten money are able to supply goods and services at lower prices than serious and competing firms, and this makes confrontation and competition difficult and leads to the deterioration of investments and the control and domination of illegal over markets^[3].

- Money laundering creates an inflation in prices since money laundering aims at transforming or turning ill-gotten money into a legal form through buying the assets which have a financial value, and this result in increasing cash liquidity and raising the prices of these assets to a level higher than the ordinary level which is consistent with natural increase in the production of goods and services, in addition to speculating in the prices and values of these assets, which results in instability and aggravating risks for the kind of assets managed by financial corporations and, consequently, affects monetary changes.
- Sudden changes and fluctuations which come over exchange and interest rates, through increasing demand for foreign currency for the purpose of transferring it abroad, and this results in the fluctuation of exchange rates, the instability of the stock markets, loss of trust in them, the decline of the value of national currency, and finally the misuse of foreign currency. Also, purchasing valuable assets, such as gold and jewelry, and selling them abroad weakens the financial position of the country and affects the value of its national currency^[11].
- Depriving the State of benefiting from the money transferred abroad with the aim of legitimizing it, for this money is not taxable and, therefore, the treasury will be deprived of financial resources that could have been benefited from. In this case, the State compensates for lack of the national income resulting from money laundering operations through increasing tax rates and imposing new taxes.
- Increasing illegal incomes through encouraging illegal trade, and this has bad distributive effects on national income and tax bases and these effects are accompanied by great social problems. Inaccuracy and invalidity of overall economic indicators such as national income, unemployment rates, inflation, economic growth, payment balance statistics and others, and this reduces the effectiveness of sound economic policies as a result of drawing on erroneous data on the one hand, and not recording the majority of economic activities in the national accounts of the State on the other hand.
- Decreasing the efficiency of the optimal allocation of the economic resources of society. Instead of directing these resources to investment productive fields which serve society, they are directed to illegal fields in search for quick gains, thus leading to deficient social structure, widening the gap between the poor and the rich, and increasing the differences among social classes as a result of the misdistribution of national income. Moreover, this aggravates the unemployment problem as a result of departing from productive investment, creating an added productive value for society and searching for quick and temporary gains. It also helps functional corruption to spread through violating laws and regulations in return for getting illegal financial returns. Furthermore, money laundering operations badly affect positive social values such as the values of work, licit gain, and belongingness to the country, and contribute to the dominance of negative values over social life, such as the desire for becoming rich quickly and the weakening of belongingness to the country^[2].
- The money laundering phenomenon has negative effects on banks represented in the sudden withdrawal of money, which causes a kind of financial confusion, a gap in the cash available in banks, and distrust banks because of suspicion and bad reputation, the consequences of which are to make clients abstain from dealing with them, thus leading to great financial losses. Added to these are the sanctions which may be imposed on the bank by international organizations and local authorities like the Central Bank and others. Moreover, thinking that banks have abundant monetary liquidity may lead to the adoption of a certain financial and credit policy, then a sudden and reverse turn in the capital turnover occurs, which eventually affects the financial policy of the State.
- Money laundering has bad effects on the domestic saving. The results of some studies have indicated that there is an inverse relationship between money laundering operations and domestic saving; the more the money laundering operations, the less the domestic saving rate. As a result, governments become incapable of financing their investment programs and consequently employment and economic growth rates decrease^[12].
- On the international Level, money laundering results in bringing about a disorder in international stock markets and international speculation, and this affects the economies of countries and leads to the threat of imposing economic sanctions on the country, and these prepare the atmosphere for money laundering operations through freezing its balances or imposing restrictions on the exports, imports and investments of the concerned country^[5].
- Moreover, there are the political effects associated with this phenomenon such as corruption, violation of laws, penetration of the political, financial and administrative bodies of the State, penetration of decision-making centers and influencing them relying on the abundant money they have and using it electoral campaigns and different mass media. All of these things weaken official authorities and make it difficult to fight this phenomenon^[13].

Mechanisms and Ways of Fighting the Money Laundering Phenomenon: Despite the numerous national and international efforts exerted for fighting money laundering, they didn't realize the desired purpose effectively. This may be attributed to the international character of this phenomenon as legislative policies used for confronting such this phenomenon differ from one country to another and so do the measures adopted against this phenomenon^[12].

Added to this is the feeble forms of international cooperation among countries to fight or alleviate this phenomenon. Because financial and banking corporations are the main actors in money laundering operations, we find that all policies and efforts whether on the international level or on the local one are explicitly or implicitly directed to these corporations.

International Efforts for Fighting Money laundering:

The Year 1988 is considered the starting point of the international efforts in the field of fighting money laundering especially after the Basel Committee had adopted a set of basic principles for controlling and supervising banks. The committee issued a statement prohibiting the exploitation of the banking system in money laundering^[19]. The United Nations also adopted a charter fighting illegal moves in drug trade [Vienna Charter]. The fifth article of this charter, which was issued in 1988, stipulates that the money gained from these illegal activities be confiscated. The so-called "Financial Action Task Force" was also established under the auspices of the Bank for International Settlements for the purpose of combating such a phenomenon. The Financial Action Task Force made 40 recommendations that can be considered the general framework against which every country combats money laundering. It also defines the role of the legal framework of every country, the role of the financial system, ways of observation and tracing, discipline in financial corporations, and the frameworks of cooperation to fight money laundering. The committee approved of 25 criteria for classifying the countries which do not cooperate in fighting money laundering. This is published in a list which is announced annually^[7].

As for the principles involved in the Basel Declaration, they are as follows^[20]:

- The necessity of identifying the personality of the client through submitting his/her ID card. Without this no bank operation should be done.
- Banks should observe laws and moral rules in undertaking their activities.
- Bank corporations should abstain from providing any false information which may hinder the activity of public authorities, and should do their best to facilitate this activity.

- Providing necessary information on the principles of this declaration for bankers.

On the other hand, the International Monetary Fund plays an effective role in fighting this phenomenon through informing the countries, which adopt economic reform programs under the auspices of the Fund, of how to activate supervision and control over its stock markets.

The 1988 Vienna Agreement is considered one of the most important agreements of the United Nations as it drew the attention to the risks of the activities of laundering the money gained from drug trade and their negative effects on the social and economic systems of countries. In terms of content this agreement is not to be considered an agreement concerned with money laundering; rather, it is mainly an agreement in the field of fighting drug trade but it treats of laundering the money gained from drug trade; because this trade is one of the most important resources of ill-gotten money to be laundered. If this agreement does not deal with combating banks' money laundering practices, but it addresses combating any kind of conduct or behavior related to such operations.

In addition, the United Nations devoted the proceedings of the 30th session of the General Assembly held in New York in June 1998 to fighting money laundering. Also in resolution No. 5525 issued in November 2000, it approved of the United Nations agreement for fighting unpatriotic organized crime. After this agreement, it also approved of three protocols related to trading in human beings, smuggling immigrants and illegal trade in guns and their components, ammunition and the places of their manufacturing.

In the same context, in October 2000, eleven international banks agreed on a charter for controlling money laundering operations. Among these banks were Barclays Bank, City Group Bank and Chase Manhattan Bank. As for the European role in fighting this phenomenon, it is represented in Strasbourg Agreement concluded by the member states in the European Council in November 1990 concerning fighting laundering money gained through crime and the measures which should be taken to trace, capture and confiscate this money.

This agreement is considered more advanced than United Nations Agreement as it made strict policies in the face of money laundering. According to this agreement, the member states take upon themselves to incriminate actions aiming at exchanging, transforming, hiding or hushing up ill-gotten money. These countries also take upon themselves to incriminate the acquisition, possession and use of this money or contribution in providing facilities for it. In addition, the member countries are obliged to adopt measures that allow the exchange and capture of accounting or banking documents in order to reveal laundering operations.

This agreement considered banks responsible for the confrontation in the first place, because banks are the main contributor in most money laundering operations. This agreement represented the legal framework which guides European parliaments regarding how to take precautions and make laws and legislations for cooperation to fight money laundering crimes.

Efforts Exerted on the Level of the Arab National Legislations: With the increasing danger of the money laundering phenomenon and in response to international agreements signed in this regard, many legislations adopted policies and measures incriminating every action or conduct related to such a phenomenon. At the same time, some legislations established inquiry and investigation bodies and set rules that secure the disclosure of those undertaking money laundering operations.

In this context, most Arab countries joined the international treaties related to money laundering such as the United Nations Agreement concluded in 1988 and the Financial Committee for Fighting Money laundering. The Council of Arab Interior Ministers held in Tunisia in 1994 approved of an agreement for fighting illegal trade. In addition there is the project proposed by Egypt for achieving co-operations in the field of tracking Arab and Islamic capitals which are transferred abroad and which might encourage economic and political. This project highly approved of in the Security Co-operation Conference held in 1996^[6].

Many Arab Countries, e.g., Kuwait, United Arab Emirates, Qatar and Egypt, passed legislations and laws incriminating money laundering operations. The Egyptian project intervened to set special criminal policies for the purpose of combating money laundering, including Law No. 80 for the year 2002 for fighting money laundering.

The following is a brief discussion of the importance and aims of passing the money laundering fighting law in Egypt^[16].

The importance the Money Laundering Fighting Law in Egypt: As a matter of fact, Egypt is not actually in need of passing a law for fighting money laundering, as current Egyptian legislations are considered sufficient for blockading illegal activities and protecting Egyptian economy from its possible dangers. The Egyptian legislator has long perceived the vital role which money laundering may play in facilitating illicit gain operations and forbidden activities as well as the activities associated with administrative and economic corruption. Therefore, the Egyptian legislator was concerned with providing the legislations necessary for facing the dangers arising from such illegal activities through the penalties included in the Egyptian Law. The Egyptian vision conformed with contemporary international trends concerning confiscating

illegal proceeds and attempting to track this money after it has become a global phenomenon aiming at spoiling and corrupting economic structures and legal financial and commercial institutions, something which made it necessary to make a special legislation for fighting this phenomenon. Therefore, Law No. 80 for the year 2002 was passed to express Egypt's complete agreement and consent to international efforts exerted in this regard, such as the United Nations Agreement made in 1988 for fighting illegal drug trade, which Egypt joined in 1990, and also Basel Declaration passed in 1988 concerning the prohibition of using banks in any operations for purposes of money laundering. The Egyptian legislation also complied with the 40 recommendations made by the Financial Work Committee on Money Laundering which covered all the aspects of this phenomenon. Because this legislation may undermine the flow of capitals into the country as a result of the complexity of economic legislations, the Egyptian legislator took care to achieve balance in the difficult economic equation between development requirements and the provision of the suitable atmosphere for attracting domestic and international investments and requirements for putting an end to organized economic crime and protecting national economy from its dangers and harms.

The Aims behind Passing a Law for Fighting Money Laundering: The aims behind passing the money laundering fighting law can be summed up as follows:

- Organizing Financial transactions and imposing a kind of control over it in order to make sure that financial institutions fight laundering ill-gotten money. This can be done through setting a legal framework incriminating money laundering operations.
- Providing an investment atmosphere through placing confidence in financial firms in Egypt to attract more legal investments.
- Seeking to erasing Egypt's name from the list of uncooperative countries in the field of fighting money laundering operations in which Egypt's name has been previously listed by the Financial Work Committee on Money Laundering, a committee stemming from the Eight Industrial Countries Group, especially that most international organizations, institutions and agencies may connect their financial aids and grants with the organization of control over financial transactions occurring inside Egyptian financial corporations.
- Designing practical and legal ways which will help form a control body with definite authorities and competences for fighting money laundering, in addition to training the staff of financial corporations, setting up a data base and creating new cadres that

are aware of importance of fighting money laundering.

- Analyzing the trends of economic activity in society in a more accurate way, as it is known that despite the theoretical or superficial benefits of the flow of money, whatever its nature may be, this laundered money or the investments resulting from money laundering operations are hot money and, therefore, it is stable and keeps on moving in short terms from one form of keeping fortune to another and thus it does not contribute to achieving real development.

Authorities Concerned with the Money Laundering Fighting Law in Egypt: These include:

- The banks working in Egypt [public and private banks, investment and business banks and specialized banks], their branches abroad and the branches of the foreign banks working in Egypt.
- The money exchange firms and other institutions authorized to deal in foreign cash.
- The institutions performing money transfers, i.e., any institution legally authorized to transfer funds by itself or through banks.
- The institutions dealing in securities such as brokers, capital firms, and the institutions working in the field of receiving funds.
- The Post Savings Fund although the majority of its deposits are of a small or medium size.
- The institutions which do real estate financing activity and which were established pursuant to Law No. 148 for the year 2000.
- The institutions working in the field of discounting portfolios through paying their current value before their due date. It is noticed that this activity is considered one of the operations performed by banks for their clients. Although there is no dependent institutions working in the field of discounting in Egypt, the legislator wanted to gather all categories of society together in the face of money laundering operations.
- The institutions doing any kind of insurance or brokerage activities in the field of insurance. The Law obliged the financial firms mentioned above to keep records and documents for recording their international or domestic financial operations, and also to keep records containing data about clients, beneficiaries and report any operations that are suspected to involve money laundering. Therefore, These institutions are not permitted to open accounts, have deposits, or accept funds or anonymous or pro forma deposits.

To secure control over these institutions, the law stipulated that an independent unit of a special character

be established in the Egyptian Central Bank for fighting money laundering. This unit is to be represented by the authorities concerned and a number of experts in this field. This unit is to have a legal personality independent of the Central Bank. The task of this unit is to receive the reports coming from financial corporations about the operations suspected to involve washing money laundering.

The Role of Banks in Fighting Money Laundering:

Analytic studies of the reports on international money laundering activities have shown that banks could have revealed them through capturing any sign of inaccuracy in data provided by the client about himself/herself, his/her work, or his/her activities. Most banks are contented with appearance only without making sure of the client's identity. In the recent years, it has been noticed that a large number of clients tend to open bank accounts for non-resident foreign firms or for partnerships established abroad or in free zones without making sure to have adequate data or information about such firms or partnerships. Accordingly, banks should take the following into consideration^[2]:

- Exchanging data and information between the bank, its branches and its affiliate companies and co-operation among the bank's branches concerning clients and the reasonability of their transactions.
- Setting up special units inside banks for fighting money laundering.
- Every bank should create a strong internal control system.
- Adopting the policy of periodical reports on the banking activity and analyzing their results.
- Increasing training courses for the banks' staff in the field of money laundering.
- Banks should prepare and keep the documents and records related to their operations and transactions with their clients so that they can refer to them easily when necessary.
- Banks should make sure to become fully abreast of their clients and their dealings. They should also make sure of the client's identity in detail and through original documents whether the client is an individual, a company or a corporation.
- Periodical and continuous updating of data and information about those holding old accounts every 3 Years.
- Strengthening the relationship between the bank and fighting and controlling authorities to prevent the incidence of this phenomenon.
- Knowing overlapping parties involved in transferring big funds abroad and inside the country and the probable relation among these parties.

- Banks should develop their performance and create banking tools that prevent the money laundering phenomenon from spreading.
- Reporting suspect transactions quickly, especially those involving considerable amounts of money, and recognizing the principle that reporting does not conflict with banking privacy.

RESULTS AND DISCUSSIONS

The results of the present research indicate that the money laundering phenomenon is considered one of the greatest challenges facing world economy and, therefore, it is difficult to fight it in the presence of the weak forms of international co-operation to reduce the effects of this phenomenon and track down those who commit it. The present research also indicates that such a phenomenon is characterized by its complexity, the multiplicity of the stages of committing it, besides the overlapping of the persons and activities related to it.

This phenomenon aroused many problems related to the protection of the privacy of bank accounts and individual investments, as privacy of bank accounts is considered the main rule on which banking work is based. The present study indicates that banks are the main authorities responsible for money laundering operations, something which requires creating effective means for facing the phenomenon, including the inhibitory criminal means as the most effective legal methods.

In the light of the foregoing, and to reach positive results to combat the money laundering phenomenon, the following should be taken into account:

- Benefiting from the experiences of developed countries in fighting money laundering operations.
- Enhancing international co-operation for preventing the phenomenon under study.
- The Central Bank should intensify its control over banks and revoke the licenses of the banks which have any connection with this phenomenon.
- Imposing restrictions and measures over transferring foreign currency from and to abroad.
- Activating the laws related to fighting money laundering and amending the laws relevant to the phenomenon in such a way as to prevent its incidence.

Summary: In recent years, the money laundering phenomenon has been on top of the priorities of different governments at local and international levels as it has negative effects on world economies. The size of money laundering represents about 5% of the gross domestic product per annum. This percentage may increase to over 25% per annum in some countries in which this phenomenon prevails. Therefore, fighting it has become

necessary in all countries of the world through the coordination between legislative, controlling and supervisory authorities at all international levels.

The main problem of the present research lies in the economic deficiency arising from the effects of this phenomenon as a result of lack of legislations necessary for blockading it at the national and international levels. In the light of the foregoing, this research aims at shedding light on the nature and concept of this phenomenon, identifying the causes and stages of its spread and determining the different mechanisms and ways of fighting it.

The researcher assumes that this phenomenon has negative effects and consequences on international economies, besides other side effects. Another assumption made by the researcher is that privacy of bank accounts is considered one of the main channels that helped this phenomenon to prevail.

The researcher used the analytical and descriptive method through relying on published periodicals, research and scientific reports that are relevant to the field.

The results of the present research indicate that the money laundering phenomenon is considered one of the greatest challenges facing world economy as a result of the difficulty of tracking it down because of the complexity of its stages and the overlapping of the activities related to it. The present study indicates that banks are the main authorities responsible for spreading or curtailing this phenomenon.

Finally, the study recommends enhancing international co-operation for curtailing and reducing this phenomenon, benefiting from the experiences of developed countries in fighting it, intensifying control over banks, imposing restrictions and strict measures over transferring foreign currency from and to abroad, and activating the laws related to fighting money laundering at local and international levels.

REFERENCES

1. Abdallah, I.S., 1997. Globalization. Egyptian Association of Political Economics, Statistics and Legislation, Cairo, Journal of Modern Egypt, No. 447, July 1997, pp: 398. (in Arabic).
2. Abdel-Azim, H., 1997. Money Laundering in Egypt and all over the World, Cairo, 1997. (in Arabic).
3. Abdel-Aziz, S.EL., 2003. The Effect of Harboring of National Economy, Chamber of Commerce and Industry, Yanbou, Saudi Arabia, 2003.
4. Abdel-Fadil, M. and G. Diab, 1985. Dimensions and Components of Hidden Economy and Black Money Turnover in Egyptian Economy 1974-1984 within the Framework of an Advanced National Accounts System, Journal of Modern Egypt, No. 400, April 1985, pp: 9-11. (in Arabic).

5. Abdel-Khalek,A.EL., 1998. Social and Economic Effects of Money Laundering, El Nahda El-Arabia Publishing House, Cairo, 1998. P.7. (in Arabic).
6. Arab Agreement for Fighting Illegal Drug Trade and Actual Effects for the Year 1994. Signed by the Council of Arab Interior Ministers in January 5, 1994.
7. Awad,M.M., 2002. The Development of the Confrontation of Money Laundering at the International Level and its Obstacles, Nayef Academy for Security Sciences, Riyadh, 2002.
8. Bamahsoun,O.A., 2002. Banking Crimes: System, Jurisdiction and Implementation in Saudi Arabia, the Third Scientific Conference of Egyptian Jurists under the Title "Legal Aspects of Banking Operations", Egyptian Association of political economy, Statistics and legislation, Cairo 19-20 December, 2002.(in Arabic).
9. El-Hady,S.M., 2002. Banking Control, Pamphlet No. 20, Cairo, 2002.
10. El-Kaddy,M.M., 2000. The Money Laundering Phenomenon and the Role of Criminal Law in Curbing it, El-Nahda El-Arabia Publishing House, 2000, pp: 7.(in Arabic).
11. El-Khodeiry,M., 2003. Money Laundering, El-Nil El-Arabia Group, Cairo, 2003.(in Arabic).
12. El-Sissy,S.H., 2003. the Bank Sector and National Economy, Family and Child Library, Cairo, 2003.(in Arabic).
13. Ibrahim,H.T., 2001. Organized Crime: A Study of its Definition, Patterns, Consequences and Ways of Confronting it, Police Thought Journal, Vol. 9, 4th Issue, January 2001, pp: 159.
14. Ibrahim,S., 1994. Money Laundering in Banks, a Symposium on New Economic Crimes, 20-21 April 1993. the National Center for Criminal and Social Research, Cairo 1994. pp: 663-664.(in Arabic).
15. Kabish,M.S.,2002. Banks' Criminal Responsibility for Money Laundering, the Third Scientific Conference of Egyptian Jurists, Egyptian Association of Political Economics, Statistics and Legislation, Cairo, 19-20 December, 2002.(in Arabic).
16. Law No. 80 for Fighting Money Laundering in Egypt, 2002.
17. Mohamedein,G.W., 2001. The Role of Banks in Fighting Money Laundering, El-Nahda El-Gadida Publishing House, Cairo, 2001.(in Arabic).
18. Moubarak Security Academy, 2003. The National Strategy for Fighting Money Laundering, Police Research Center-No. 23, January 2003.(in Arabic).
19. Shams El-Din, A.T., 2001. Incriminating Money Laundering in Comparative Legislations, El Nahda El-Arabia Publishing House, Cairo, 2001. pp: 9.(in Arabic).
20. United Nations Agreement on Fighting Unpatriotic Organized Crime, 2000. UN General Assembly's Documents, Session No.55, Vol. 1, United Nations, New York, 2001.
21. Younis, A., 2002. A Study of the Concept and Dangers of Money Laundering Operations, International Orientations towards Fighting it and Banks' Plans for Confronting Such Crimes, Banks Journal, Jordan, 2002.(in Arabic).