

International Business News

## Australia hedge fund sues Goldman over 'shaky' products

AFP, Sydney

The manager of an Australian hedge fund is suing US investment bank Goldman Sachs for more than a billion US dollars over a product it claims made it bankrupt, a lawyer said Thursday.

Basis Capital's Yield Alpha Fund went bust after losing 56 million US dollars in two weeks on the "Timberwolf" collateral debt obligation (CDO), sold by Goldman Sachs dealers who knew it would fail, said lawyer Eric Lewis.

The case echoes a civil fraud suit filed against Goldman in April by the US Securities and Exchange Commission (SEC) accusing the bank of "defrauding investors" about a product based on subprime mortgage-backed securities.

"They knew that they were shaky, they were assembled to be shaky to take some of the worst securities off of their books and put the risk on somebody else," Lewis told Australian public radio from Washington.

## China trade surplus soars in May on export boom

AFP, Beijing

China said Thursday its trade surplus soared in May on strong foreign demand for Chinese-made products, which analysts said could increase pressure on Beijing to let its currency strengthen.

The surge in exports -- up 48.5 percent from a year ago -- suggested the eurozone debt crisis had not yet hurt demand for Chinese products, which could ease concerns of a slowdown in the world's third-largest economy.

The data came after US lawmakers on Wednesday vowed to launch legislative action in two weeks to punish China for refusing to revalue the yuan, claiming the currency is undervalued and gives the nation an unfair trade advantage.

China posted a trade surplus of 19.53 billion dollars in May, compared with a surplus of 1.68 billion dollars in April and a deficit in March -- the first in six years, according to data released by customs authorities.

## Trans-Pacific trade talks set to resume, says US envoy

AFP, Hanoi

Negotiations resume next week on a trans-Pacific trade deal to better integrate small and medium-sized businesses into the global economy, the deputy US trade representative said Thursday.

Talks are to continue in San Francisco on the proposed Trans-Pacific Partnership (TPP) that would link the United States with an initial group of seven nations -- Australia, Brunei, Chile, New Zealand, Peru, Singapore and Vietnam.

It is part of US President Barack Obama's goal of doubling exports in five years and seeks, analysts say, to address US fears of being sidelined by a growing web of Asia-centric trade pacts.

By working to help increase the role of small and medium-size enterprises through the TPP "we will be able to better integrate... (them) into global trade" and help increase their exports, Demetrios Marantis told reporters.

He said the TPP also aims to reduce "supply-chain obstacles" in the region.

## Bank tax to rear its head at G20 summit: Kouchner

AFP, Montreal

A controversial global bank tax that has split G20 nations will be brought up at the next meeting of the world's leading economies, French Foreign Minister Bernard Kouchner said Wednesday.

"The bank tax is mentioned everywhere, why wouldn't it be brought up at the G20," Kouchner told reporters at an economic conference in Montreal.

"It can't just be prattle," he commented. "It has to be implemented and the rules must be international so that nobody can escape it, but (in such a way that) it doesn't hurt economic growth."

G20 leaders are to meet in Toronto on June 26-27.

In preliminary talks in South Korea last week, G20 finance ministers and central bankers from the world's leading nations agreed that further financial repairs, especially at banks, were needed to secure the recovery.

But they made no mention of the controversial global tax on banks that would fund future bailouts.



AFP

A security guard sits outside the Standard Chartered bank's ATM in Mumbai yesterday. British bank Standard Chartered will list at the Mumbai stock exchange today, after it had raised \$530 million through a first-of-a-kind sale of shares in India last month. The bank offered 240 million Indian-depository receipts (IDRs) at a price of 104 rupees each. Stanchart is one of the largest international banks operating in India, for over 150 years, with 94 branches and a staff of 17,500 people.

### BUDGET

# Flats to get costlier



STAR

The photo shows high-rise apartments. According to the proposed budget, people will have to pay more to buy flats.

SHARIFUL ISLAM

Real estate prices are likely to go up in the next fiscal year, as the finance minister yesterday proposed to increase tax on developers, to be paid at the time of registration of apartments and buildings.

If the proposed next budget is passed by the parliament, Tk 2,000 per square metre tax will be imposed on real estate developers for apartments and buildings in Gulshan Model Town, Banani, Baridhara, DOHS, Dhanmondi, Lalmatia, Uttara, Bashundhara, Motijheel, Dilkusha, Dhaka Cantonment, and Karwan Bazar areas of the capital; and in Khulshi, Agrabad, and Panchlaish of Chittagong.

The tax will be Tk 800 per square metre in other areas of the country. The current rate is flat at Tk 250 per square metre.

Finance Minister AMA Muhith, in his budget speech yesterday, rationalised the new tax saying, "Real estate business has grown tremendously in recent times. It may be presumed that income earned by the real estate developers of this sector is considerably high. But, the revenue collection

from this sector is poor."

In an instant reaction, immediate past president of the Real Estate and Housing Association of Bangladesh, Tanveerul Haque Probal, said the proposed tax is too high, which will somewhat affect the sales of apartments and buildings.

Sadat Hossain Salim, managing director of Rupayan Housing Estate Ltd, thinks although the developers will ultimately recover the money spent in paying the tax from the buyers, it will not affect sales due to high demand.

Salim also sees a positive aspect of the new tax, as it will enhance the government's revenue collection from internal sources, in a disciplined way.

He said the government's promise to ensure accommodation for middle and lower-middle income people will nonetheless suffer a set back due to the new tax, and the recent land registration fee hike.

Although in the current fiscal year the government has allowed whitening of black money through purchase of apartments, the finance minister did not mention anything about the provision's continuation in the next fiscal year.

But a high official of the National Board of Revenue told The Daily Star last night that the opportunity will not exist in the next fiscal year in relation to purchase of apartments.

Referring to ruling Awami League's electoral pledge titled "Vision 2021", which promises to ensure housing for all by 2021, the finance minister in his speech said the prime minister on May 21 inaugurated a project for construction of 22,000 apartments for middle and lower-middle income people in Uttara of the capital.

Construction of 11,000 apartments in Mirpur, and 1,020 more in Mohammadpur are underway, while Rajdhani Unnayan Katiripakkhya (Rajuk) is also developing 40,700 plots in other areas of the capital, he said.

Environment-friendly housing estates with necessary civic amenities will also be developed outside Rajuk areas, he added.

About rural housing, the finance minister said the problems of rural housing are quite different from those of urban housing. In rural areas, housing programmes can be facilitated through planning for efficient use of land, he said.

### INITIAL THOUGHTS ON BUDGET

# Aim remains the same

FAHMIDA KHATUN

There is no strategic shift in the budget for 2010-11 as the overall objective of the government remains the same, that is, acceleration of growth, creation of employment, faster reduction of poverty, reduction of all types of inequality and establishment of society based on social justice. Various macroeconomic and social targets have been reiterated in line with the manifesto of the ruling government. On the expenditures and income front, there is not much change as well. For example, total expenditure as percentage of GDP (gross domestic product) has not changed much. This also holds for annual development programme (ADP).

I do not agree with those who make too much noise on the size of the budget. To my mind there is a need for large expenditure and investment, as we want to make a shift to the next trajectory of growth rate. We have to create employment of 2 million new labour forces every year entering the labour market, reduce all kinds of inequality and eradicate poverty.

The government has a commitment to create employment for at least one person from each household in the country by 2014. Hence, the amount of allocation is rather small. So, the focus should be on increasing our capacity to utilise resources fully and in an efficient manner. Such capacity should be equally invigorated for increased collection of revenue to finance public investment and to fully implement the ADP.

As always, the challenge will be to meet the budget deficit, which has been set at 5 percent. Excessive borrowing from the banking sector may crowd out the private sector if the investment in the sector gears up. On the other hand, if the government relies on non-bank borrowing, it may increase inflationary pressure. Therefore, balancing the sources of finances is critical.

The income tax slab has not been changed for the last two years and this remains unchanged in fiscal 2010-11 as well. Here the issue of inflation rate has not been taken into consideration. And price hike erodes the income of the lower middle class with fixed income. Therefore, the limit of the threshold income should have been broadened. Some efforts to expand the tax net are observed in the budget. One such initiative is the imposition of tax on capital gains by the companies and by the sponsor shareholders or directors and on the premium value of shares. Given the emerging vibrancy of this sector, this sector has to be brought under tax as in other countries.

The writer is an economist at the Centre for Policy Dialogue (CPD).



# A step towards Digital Bangladesh

STAR BUSINESS REPORT

In a tech-based atmosphere in parliament, the finance minister yesterday said an online VAT registration system will be introduced under the government's vision to build a Digital Bangladesh by 2021.

"In order to digitise the taxation system, I propose to introduce online VAT registration and return submission. A specific software will be used for this purpose, which will be developed by a private firm under the direct supervision of the National Board of Revenue," AMA Muhith said.

However, experts said in terms of allocation, the proposed budget for fiscal 2010-11 was a bit unclear.

The information and communication technology (ICT) ministry is likely to get Tk 450 crore from the development and non-development budget.

Of that, the finance minister has proposed a special allocation of Tk 112 crore, which was Tk 100 crore in the budget for the outgoing fiscal year. The Equity and Entrepreneurship Fund allocation to the ICT sector remained the same at Tk 200 crore as in the 2009-10 budget.

For the first time, large screens were installed to show highlights of the budget to parliamentarians and visitors. Some small screens were separately placed in front of the prime minister, speakers and the seats for opposition to show budget highlights.

The finance minister reiterated some measures to make a Digital Bangladesh. The measures include connecting Bangladesh with a second submarine cable, setting up a hi-tech park and ICT village, introducing a digital filing system, tax rebates for donating computers to educational institutions and introducing e-governance.

Bangladesh will reach a trajectory of high-performance growth supported by advanced and innovative technology with the prices of commodities stabilised, income and human poverty brought to a minimum, health and education for all, secured and capacity building combined with creativity enhanced, social justice established, social disparity reduced, participatory democracy firmly rooted and capacity to tackle the adverse effects of climate change achieved.

"Information and communication technology will, by that time, take us to new heights of excellence, giving the country a new identity to be branded as Digital Bangladesh," said Muhith.

He claimed that due to the sincere efforts of the government, teledensity has gone up



AMRAN HOSSAIN

A woman uses a cell phone. Finance Minister AMA Muhith was quiet on SIM taxes or duties on the import of handsets.

to 38 percent and the number of internet users to 6 in every 100 persons.

However, he mentioned nothing on the reduction of SIM (subscriber identity module) taxes or duties on the import of mobile handsets.

The finance minister informed parliament of the achievements under the government's Digital Bangladesh initiatives in the outgoing fiscal year.

To migrate to e-Governance by 2014, implementation of an IT road map, designed and adopted by the government, is well underway, he said.

The office of the Controller of Certifying Authority (CCA) began functioning to launch digital signature with an aim to introduce e-commerce by 2012, he added.

As a first step to digitalising the manual file management system, a Digital-based Filing System has been introduced in the establishment ministry and its subordinate offices.

He said 4,409 Union Parishad bhabans will be brought under the optical fibre network. Steps have also been taken to establish one crore land phone connections and turn 8,000 rural post offices in phases into

Community Information Centres (CIC) within a short span of time.

The government also pledged to introduce compulsory computer and technical education at secondary and primary levels by 2013 and 2021 respectively.

As part of this programme, steps have also been taken to establish computer laboratories in 1,200 educational institutions at upazila level in seven divisions and in 200 educational institutions in six metropolitan cities.

The programme for establishing computer laboratories in 1,200 educational institutions at upazila level is already at its final stage, said the finance minister.

Tax rebates are proposed on any assistance made to schools and colleges under MPO (monthly payment order) for improving computer and English education and on donations made to conduct camps for voluntary sterilisation, he said. This was proposed with a view to encouraging Corporate Social Responsibility (CSR) activities, said the minister.

He reiterated plans to set up an IT Village at Mohakhali, Dhaka.

The government has established Community E-centres in 133 upazilas to

minimise the digital divide, he said.

"These centres will ensure an easy access of the rural population to information technology."

Besides, the South Asian Sub-regional Economic Cooperation (SASEC) Information Highway project has been undertaken, to strengthen regional cooperation and establish connectivity between India, Nepal, Bhutan and Bangladesh, he said.

Mostofa Jabbar, president of Bangladesh Computer Samity, said in terms of plans, the budget is encouraging. However, he said, "It is not clear yet how the government will introduce IT education by 2013 without developing IT infrastructure."

He said digital administration has been prioritised, which is a good sign. However, as a whole, the budget has nothing new for the ICT sector development.

Mahbub Zaman, president of Bangladesh Association of Software and Information Services, said although some promises were made by the finance minister, allocation was not seen in some areas, specially in setting up a hi-tech park or IT village.