

COMMODITIES		ASIAN MARKETS				CURRENCIES				
Week-on-week	As of Friday	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
DGEN	CSCX	▼ 0.64%	▼ 0.64%	▼ 0.49%	▼ 0.81%	BUY TK	73.85	104.70	119.54	0.91
▼ 3.57%	▲ 1.46%	17,870.53	9,351.40	3,005.28	2,642.82	SELL TK	73.95	104.87	119.72	0.91
5,776.18	10,331.35					BANGLADESH BANK				

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Former finance minister M Syeduzzaman, *third from right*, speaks at a dialogue on the state of the economy and an analysis on the proposed budget for fiscal 2011-12 at Ruposhi Bangla Hotel in Dhaka yesterday. The Centre for Policy Dialogue organised the programme.

Hefty govt borrowing to hurt private investment

Experts at CPD discussion see risks from bank borrowing

STAR BUSINESS REPORT
High dependence on bank borrowing to meet the need for deficit financing would crowd out private investment, said economists, politicians and businessmen yesterday. They said, unlike the previous years, bank borrowing might affect the private sector this year as the banking system is already in liquidity crisis and the money market is facing volatility. A section of businessmen demanded allowing black money in the manufacturing sector. They made the observations at a dialogue on the state of the Bangladesh economy and an analysis on the proposed budget for fiscal 2011-12 at Ruposhi Bangla Hotel. The Centre for Policy Dialogue (CPD) organised the programme with its trustee and former finance minister M Syeduzzaman in the chair. "The government is paying interest by bank borrowing and throwing itself into a debt trap," said Prof SR Osmani who teaches economics at the University of Ulster, United Kingdom. Osmani said 60 percent of incremental revenue has been spent for aid payment, while public expenditure has gone down over the years. Former finance adviser to a caretaker government Dr AB Mirza

Azizul Islam said he did not find that government borrowing had a crowd-out impact in the previous years, rather it helped banks hike interest rates. Islam sees the context different this year. "Banks have a liquidity crunch. A high level of government borrowing from the banks may create further crisis," he said. He doubted the realisation of external assistance. An increase in incentives and subsidies and pressure on exchange rate and inflation might pose an additional threat to the macroeconomic stability, he added. The government has set the total budget expenditure at Tk 163,589 crore, up by nearly 26 percent than the revised budget of the outgoing fiscal year. Budget deficit has been projected to be Tk 45,204 crore or 5 percent of gross domestic product. More than two-thirds of the deficit financing would come from domestic sources, said Prof Mustafizur Rahman, executive director of CPD. There have been a lot of talks on the deficit financing since the budget was placed in parliament on June 9 as nearly Tk 19,000 crore would come from the banking system. Amir Khosru Mahmud Chowdhury, former commerce minister, criticised the government for not taking necessary steps to address

the issue of the capital market. Growing expenditure for rental power is bleeding the state exchequer, he said. Prof Abu Ahmed of Dhaka University said the country is going into a fiscal indiscipline. "We are going beyond our capacity," he added. "Pressure will be on the banks for deficit financing," said Md Jashim Uddin, acting president of the Federation of Bangladesh Chambers of Commerce and Industry. He demanded tax-free income ceiling at Tk 2.5 lakh instead of proposed Tk 1.80 lakh. Amjad Khan Chowdhury, president of Metropolitan Chamber of Commerce and Industry, said he was concerned with a continued rise in furnace oil price. Asif Ibrahim of Dhaka Chamber of Commerce and Industry demanded allowing black money in the manufacturing sector by paying tax at 10 percent. Hafiz Ahmed Mazumder MP also demanded the same. Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), demanded export tax at 1 percent from proposed 1.5 percent. Former BGMEA president Abdus Salam Murshedy and lawmakers Hasanul Haque Inu, Fazlul Azim and MA Mannan also spoke.

Muhith rubbishes talk of gas export

STAR BUSINESS REPORT
The government has no plan to export gas as the reserves of the natural resource are not adequate, said the finance minister yesterday. The government has signed deals with foreign companies to explore untapped areas in an effort to fix the energy crisis, AMA Muhith said. According to the minister, Bangladesh must have several trillions of cubic feet of gas in reserve before it can export the natural resource. Gas is exported in the form of liquefied natural gas, but the platform to process and ship it does not exist in the country at the moment, he added. "We do not have proven reserves of several trillion of gas, and the LNG system does not exist in the country. So, the question of exporting gas is nonsense," he said. "But we are happy that we have been able to sign a deal with ConocoPhillips to explore gas in the Bay of Bengal," he said. The government on Thursday signed a production sharing contract (PSC) with US oil company ConocoPhillips for oil and gas exploration from two deep-sea blocks in the Bay. Blocks DS-08-10 and DS-08-11 cover

an area of 5,158 square kilometres and are located at about 280 kilometres from the port city of Chittagong. The area awarded under the PSC is in Bangladesh portion of the Bay. Speaking at a luncheon meeting of the Foreign Investors' Chamber of Commerce and Industry (FICCI) at Sonargaon Hotel, Muhith advised businessmen to diversify currencies to ease pressure on the dollar while importing goods. He said the government does not intervene in the floated exchange rate although the taka has been devalued against the greenback recently. Only the central bank monitors the movement of rates so that it does not cross limit, he added. Businessmen complain that they are facing troubles in opening of letter of credits for importing goods as the exchange rate reached nearly Tk75 against the dollar. Muhith came down on the opposition parties and the media for saying that the proposed budget for fiscal 2011-12 is highly ambitious and devastating for the economy. "Those words are just non-sense. Some issues were inflated by media," he said. "We have achieved 6.6 percent economic growth this year, and our

target of 7 percent growth is not ambitious. The economy is growing and the market is getting bigger," he said. "The economy is in a devastating state is a making of the media, while the opposition parties have no issue and are making the issue popular to the people," he said. On the issue of reserves of foreign currency and balance of payment, Muhith said the export is growing and the inflow of remittance is also increasing. "So, the payment for import bill will not be difficult as the reserves of foreign currency are getting stronger." Muhith said the government tried to bring the black money to the formal economy in different ways, although a section of businessmen was opposing the whitening of untaxed money. He said he would review the tax at source proposed in the budget for the real estate sector. He said he proposed extension of holiday period for two more years, but some sectors were left out under the proposal. "I will try to cover more sectors so that they can be brought under the tax holiday option," he said. Rupali Chowdhury, acting president of FICCI, moderated the meeting.



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Microsoft gets Skype approval

REUTERS, Washington

Microsoft has won US antitrust approval to buy the Internet phone service Skype, the Federal Trade Commission said in a website posting on Friday. Microsoft announced in May it was buying Skype for \$8.5 billion, its biggest-ever acquisition, placing a rich bet on mobile and the Internet to try and best rivals such as Google Inc.

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