

Budget thoughts, from Chittagong

Leading businesspeople demand allocations for infrastructure development in the port city

PRABIR BARUA CHOWDHURY, Ctg

BUSINESS leaders of Chittagong recently spoke to The Daily Star where they expressed their recommendations and expectations from the forthcoming budget. One overwhelming appeal from the business leaders to the government has been the upgrade of infrastructure in Chittagong and amnesty for black money.

Alihussain Akberali, chairman of BSRM Group, is a strong advocate of private-public partnership (PPR) and asks the government to further promote it for infrastructure development.

He feels the current framework of the country influences people to resort to unlawful activities such as appropriation of black money. He asked the government address the issue. The government should make use of black money or else it would be smuggled abroad to the detriment of the country, Akberali said.

Sakhawat Hossain, managing director of Western Marine Shipyard Ltd, feels that the government should revamp the tax framework to make it more binding and conducive.

He too urged the government to use black money for investment in areas that are in need, along with upgrading the facilities at Chittagong Port to better serve the country.

"First and foremost, the government should concentrate on drafting a practical budget," said Saifuzzaman Chowdhury, managing director of Aramit Group.

"My strong suggestion to the government is to open the doors of power sector to all. Allowing people to invest here like in other sectors would not only solve the country's severe power crisis but also divert funds to the sectors that are in need."

He too feels it is necessary to upgrade infrastructure in Chittagong, and urged the government to fix a minimum level of tax for raw materials.

Additionally, he asked the government to explore the option of transforming the southern part of Karnaphuli river to an industrial base. It will generate significant employment opportunities for all.

Abul Bashar Chowdhury, chairman of BSM Group, feels that for the prosperity of local enterprise, the government in the upcoming budget should devise a different rate of excise duty for raw materials from finished products. He urged the



Alihussain Akberali



Sakhawat Hossain



Saifuzzaman Chowdhury



Abul Bashar Chowdhury



Tariq Ahmed



Monowara Hakim Ali

government to rethink the tax rates as well.

He proposed the broadening of the tax horizon for higher NBR revenues and use of black money in the energy sector.

He further suggested that the government makes an allocation to increase the capacity of Chittagong Port. The current capacity is not sufficient to support the volume of trade.

"A forward-looking, achievable and positive budget is what Bangladesh requires," said Tariq Ahmed, a director in the Chittagong-based TK Group of Industries.

He urged the government to set aside necessary funds in the forthcoming budget for infrastructure development of Chittagong. This would not only bene-

fit the port city but the entire country as goods from Chittagong Port, the country's main port, could be delivered faster to the rest of the country.

"Although its fruition will take long, it would be wise of the government to start the Asian Highway project in the upcoming fiscal year," Ahmed said.

He also suggested the term "black money" should be better defined. Money from tax evasion should not be included in the same bracket as bribe money or earnings from illegal sources. The former could be injected into the economy, while the latter should remain illegitimate.

As the president of Chittagong Woman Chamber of Commerce and Industry, Monowara Hakim Ali feels

that the government should provide more incentives for women entrepreneurs in the upcoming budget.

"The government needs to be more inclusive of women in its development plans," said Monowara, who is also the vice-chairman of Intraco Group.

She hopes Chittagong receives significant consideration in the budget as the port city provides ample revenue sources for the government, most of which remain to be exploited.

"In the forefront should be the development of infrastructure of the port city," she suggested.

Like others, she too feels that the government needs to devise effective ways to legitimise black money in the economy.

Mark Zuckerberg's unpleasant new life

FELIX SALMON

EVERY time there's a high-profile IPO, a few clever journalists will wheel out their contrarian take. LinkedIn had a huge pop? Then it's a failed IPO, and Morgan Stanley "screwed the company and its shareholders to the tune of an astounding \$175 million". Facebook fell off a cliff? Then it's a great success for the company, because it means it got the best price it possibly could. Matt Yglesias has a typical such post up, saying that "Mark Zuckerberg Made out Nicely in the Facebook IPO". He explains that "for people making the initial sales an anti-pop is ideal. It means no money was left on the table. Or, rather, it means that negative money was left on the table".

Except, at least in the case of Mark Zuckerberg, that simply isn't true. When Facebook went public, Zuckerberg exercised all of his options, and converted them into extremely valuable stock. That stock was valued at \$38 per share, and he has to pay income tax on the gain; his tax bill is likely to be north of \$1 billion. The only stock that Zuckerberg sold was the stock he needed to sell, to pay his tax bill. The rest of his wealth is tied up in Facebook stock. So the degree to which he "made out nicely" is pretty much directly proportional to the secondary-market share price, and not the IPO price.

Of course, Zuckerberg owns a substantial chunk of Facebook, and Facebook is now sitting on a substantial chunk of cash. Facebook itself raised \$15.8 \$6.76 billion in its IPO, and Zuckerberg owns 26.6 percent of Facebook. So in that sense Zuckerberg has a direct claim on \$4.2 \$1.8 billion which is currently sitting in Facebook's bank account; if Facebook had raised less money, then that number would be lower. But it's not like Facebook's going to declare a dividend any time soon: there's basically no realistic way for Zuckerberg to get his hands on that cash.

Here's the main reason why Zuckerberg wanted an opening-day IPO pop of at least modest proportions: the last thing he wants or needs is an adversarial relationship with his shareholders. Zuckerberg got to where he is today with the help of extremely supportive shareholders, who were happy to give him as much money as he wanted to build his company and take it to where it is today, without



Mark Zuckerberg

second-guessing any of his decisions. Facebook's users might not always have been happy with Zuckerberg's decisions, but he never had any tension with his non-executive shareholders.

Now, however, as the CEO of a public company, Zuckerberg has a fiduciary responsibility to his shareholders, and you can be quite sure that his shareholders are going to get very noisy and upset if he doesn't give them what they want. Yes, Zuckerberg has an astonishing degree of control over Facebook, and so in theory he can simply ignore what they're saying. In practice, however, that's very hard -- especially if they're voting with their feet and sending his stock price plunging.

There are certainly CEOs out there who maintain personal control over public companies in the face of disquiet and unhappiness from external shareholders: Jimmy Dolan, of Cablevision, is a prime example. But Mark Zuckerberg does not want to be Jimmy Dolan. And what he certainly doesn't want is to send a message to the public markets that he thinks his shareholders are muppets.

Early investors in Facebook, including Goldman Sachs, cashed out to the tune of billions of dollars on Friday; those investors, who will continue to sell their shareholdings

once the various lock-up periods expire, are the ones that Zuckerberg gets on well with, partly because he has made them enormous sums of money. As his VC backers rack up their necessary exits, Zuckerberg is going to find himself surrounded by an increasing number of public shareholders, and being asked increasingly pointed questions by stock-market analysts. He can try to take the imperial approach, and ignore all such distractions while he runs his company as a personal fief; indeed, the message sent by Facebook's dual-class share structure is that he very much wants to be able to do just that.

Zuckerberg is human, however, and he's had a charmed life so far: he was named, for instance, Time's Person of the Year in 2010. From here on in, by contrast, Zuckerberg is going to be judged by Facebook's share price: a minute-to-minute plebiscite on how he's doing. What's more, the really important thing about the share price is not the price itself, but rather its direction: if it's going up then Zuckerberg is a hero, and if it's going down then Zuckerberg is a goat. This is one of the main reasons why being the CEO of a public company sucks -- and the higher your profile, and the more you're personally associated with your company, the more it sucks.

In a hyper-rational world, it would be better to be Mark Zuckerberg after Facebook has fallen from \$42 to \$32 than it would be to be Mark Zuckerberg after Facebook had risen from \$21 to \$29. But this is not a hyper-rational world. And it's increasingly looking that if Facebook was always going to have to go public anyway, it would have been better for the company and for Zuckerberg personally if it had gone public much earlier, at a much lower share price, issuing many fewer shares. That way, the general public, rather than just select insiders, could have had some small part in the big run-up -- and there would have been no opportunity for Facebook, its bankers, and the Nasdaq stock exchange to mess this IPO up so badly.

So in a way it makes sense that Zuckerberg decided to get married at the same time Facebook went public. The latter means that his life as a public-company CEO is going to be reasonably unpleasant for the foreseeable future. Maybe he hopes to counterbalance that with a bit more stability at home.

Felix Salmon is the finance blogger at Reuters.

IMF chief riles Greeks as crisis election looms

AFP, Athens

GREECE'S Socialist party leader accused IMF chief Christine Lagarde of trying to "humiliate" the crisis-hit country by saying Greeks dodge taxes as he campaigned Sunday for crucial June elections.

"Nobody can humiliate the Greek people during the crisis, and I say this today addressing specifically Ms. Lagarde... who with her stance insulted the Greek people," Evangelos Venizelos told an election rally.

Lagarde told Britain's Guardian newspaper in an interview published Friday that Greeks must "help themselves collectively" by all paying their taxes, saying she was more concerned about sub-Saharan Africans in poverty than Greeks hit by the economic crisis.

Her comments came as Venizelos's Pasok and other Greek parties squared off for a June 17 election that could determine whether it continues to receive IMF funds and stays in the eurozone.

Lagarde's remarks drew thousands of comments on her Facebook page, many from annoyed Greeks.

On Saturday the IMF chief responded: "I am very sympathetic to the Greek people and the challenges they are facing. That's why the IMF is supporting Greece in its endeavour to overcome the current crisis."

"An important part of this effort is that everyone should carry their fair share of the burden, especially the most privileged and especially in terms of paying their taxes."

Venizelos told a news conference on Sunday, the morning after his campaign rally: "Ms. Lagarde had to revise her comments. I am glad she did it because that means she takes into account a proud nation."

Greece made a deal in 2010 to receive hundreds of billions of euros (dollars) from the IMF and the EFSF, a European Union bailout fund, to rescue it from financial collapse.

The country will head to the polls for a second time in six weeks on June 17



Christine Lagarde

since political parties failed to form a coalition after an inconclusive election on May 6.

In that election, voters fed up with salary and pension cuts demanded by the bailout terms handed second place to radical left-wing party Syriza, which has threatened to renege on the bailout accords.

Former prime minister Lucas Papademos warned on May 11 that Greece may run out of money by the end of June if international bailout funds are cut off following the election. To Vima newspaper reported Sunday.

That could lead Greece to default on its debt and leave the eurozone.

"From late June onwards, the ability of the government to fund its obligations fully depends on the approval of the subsequent instalments of loans from the EFSF and the IMF," To Vima quoted Papademos as saying in a leaked memo.

"The available funds in the Greek government will be reduced gradually from about 3.8 billion euros on May 11 to about 700 million euros on June 18 and from June 20 will enter negative territory at the level of around one billion euros."

Ahead of the June 17 election, Syriza has led at times in the opinion polls, but a series of polls published Sunday indicated conservative party New Democracy had taken the lead.

Campaigning on Saturday, New Democracy leader Antonis Samaras said a victory for Syriza would cause "catastrophe" and drag Greece out of the euro.