

Questions may arise over rule of law

US state dept says about case against Prof Yunus

DIPLOMATIC CORRESPONDENT

The US has expressed worries that the perceived misuse of labour and anti-corruption laws in relation to Nobel laureate Prof Muhammad Yunus can raise questions about the rule of law in Bangladesh and dissuade foreign direct investment.

"So, we continue to closely monitor developments in the case against Dr Yunus. We have expressed our concern that these cases may represent a misuse of Bangladesh's labour laws to harass and intimidate Dr Yunus," said State Department Spokesperson Matthew Miller at a regular press briefing in Washington DC on Tuesday.

He said the US would continue to encourage the Bangladesh government to ensure a fair and transparent legal process for Dr Yunus.

Miller made the comments in response to a question from a journalist regarding Dr Yunus'

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Displaced Palestinians flee from the east of al-Bureij in the central Gaza Strip yesterday, due to the Israeli bombardment of the city.

PHOTO: AFP

GRAFT ALLEGATIONS Benazir seeks 15 days' time to appear before ACC

STAFF CORRESPONDENT

Former IGP Benazir Ahmed may not appear before the Anti-Corruption Commission for questioning today as he has sought 15 days' time to appear before the commission.

His lawyer on behalf of him sought the time, said Md Jahurul Haque, ACC commissioner (investigation), in reply to a query from a journalist at the ACC headquarters yesterday.

"I don't know exactly. But I heard he [Benazir] sought time," said the commissioner.

"The investigation team will decide about it [summons]. It is their matter. They will know better."

On May 28, the anti-graft body issued a notice to Benazir and his family for interrogation over the allegations that he amassed illegal wealth through corruption. According to the notice, Benazir was summoned to appear before the ACC today, his wife Zeeshan Mirza and two daughters on June 9.

Although the ACC sent the summons to his Gulshan home last week, no one from Benazir's family received the letter. As of yesterday, the letter remained at the guardroom of their Gulshan home amid speculations that the ex-IGP and his family had left the country.

However, it is still unknown whether Benazir's wife and two daughters will appear before the anti-graft body on June 9.



A wounded economy, another perilous year Modi invites PM to his inauguration

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Two years in a row, fiscal policy failed to heal festering wounds. But the new budget presents an opportunity for the new minister to reveal a vision to turn things around. Ali faces a difficult trade-off between maintaining economic growth and strengthening public finances.

One of his fiscal goals is a narrower budgetary deficit equal to 4.6 percent of the gross domestic product, a clear departure from the golden rule of the 5 percent gap that Bangladesh has followed for ages with some exceptions. Some economists say the new deficit plan is still too high. The issue is not debt sustainability but macroeconomic stability because more than half of the deficit financing will come from domestic borrowing. That could either come in conflict with monetary policy targets to reduce domestic credit growth or severely crowd out private credit by driving interest rates too high. The economists suggest it should be contained to 3 percent of GDP at least for fiscal 2024-25, another uncertain year, to reduce the burden.

"The main elements of the budget strategy should be to reduce fiscal deficit significantly to lower aggregate demand. This demand reduction should be achieved in a way that it does not compromise the future growth prospects," said Sadiq Ahmed, vice chairman of the Policy Research Institute.

For this to happen, the strategy involves raising tax revenues through effective reforms, increasing the profitability of state enterprises through corporate governance, reducing unnecessary subsidies, and increasing spending on education, health and social protection,

according to Ahmed.

Bangladesh's tax-to-GDP ratio is a long-standing fiscal weakness. At 7.3 percent of GDP, this ratio is one of the lowest in the world. Revenues continue to be underwhelming due to tax exemptions, weak administration and challenges in implementing tax reforms.

The budget day is a cacophony of big numbers that drowns out the need to cushion the poor against price shocks. The finance minister is expected to do more than just keep the poor in his thoughts. Urban poverty is deepening. In Bangladesh, more than 18 percent of the population lives under the poverty line and another 20 percent, as research organisation SANEM suggests, are very vulnerable and run the risk of falling into poverty due to any shock.

"The budget should look at the pressure heaped upon the marginalised groups, the fixed-income groups, and the low-income people, and how they can be helped through budgetary allocations, fiscal policies, and fiscal incentives," said Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, a think-tank.

One easy way to free up funds for social protection is by cutting subsidies as the International Monetary Fund suggests. By loosening the exchange rate further, Bangladesh, for example, can eliminate subsidies on exports and inward remittances. However, some agriculture input subsidies on fertiliser, seeds and irrigation are necessary. Overall, it is possible to reduce subsidy spending from a high of 1.9 percent of GDP in FY2023 to 0.8 percent of GDP in FY2025, according to an estimate by Sadiq Ahmed of PRI. These savings can be redeployed

to healthcare, education and social protection.

In the new fiscal year, the government will bear a heavier burden of interest payments. So, the allocation for interest payments of domestic and foreign loans will likely jump more than 20 percent to an all-time high. The government has already intensified local borrowing to plug the fiscal deficit, pushing the yield on treasury bonds and bills to a peak. While it opened an avenue for investors to park money in government securities, it has some consequences. Public debt accumulated through treasuries is largely a way to transfer funds from taxpayers to wealthy bondholders, as famed French economist Thomas Piketty argues.

In the run-up to the budget, there were some refreshing changes, albeit pushed by the IMF. In early May, Bangladesh made three major decisions to cushion the economy against critical risks such as stubborn inflation and forex erosion. In a rare move, the central bank let the local currency slide by the most in a day against the mighty dollar. Bangladesh Bank also raised the key policy rate for the second time this year and made lending rates market-based, abandoning a treasury bill-linked formula for banks.

These steps testify to the authorities' belated realisation. Realisation, nonetheless.

This year's budget is coming at a very distinctive time in the history of Bangladesh's economic development. While the budget is simply an estimate of government revenues and expenditures for a fiscal year, it's also an occasion for soul-searching -- a day of reckoning.

It's time to gaze inward.

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How much money Bangladesh would have to pay will ultimately depend on the exchange rate at the time of payment.

In the proposed budget to be placed today, the debt servicing cost is likely to be \$5.18 billion or Tk 57,000 crore, a 35 percent increase compared to the revised budget.

The debt servicing cost is increasing, and foreign funds are not being utilised fully. As a result, the net foreign financing has reduced.

The government had set aside \$13.17 billion as foreign financing in the budget for this year, but it was later revised to \$9.65 billion. Of the amount, \$2.92 billion was earmarked

Modi prepares for a record third term as Indian prime minister as nations congratulated him on the election victory.

Hasina also mentioned the very cordial and friendly relationship between Bangladesh and India.

Meanwhile, Modi has thanked Hasina for her warm wishes following his election victory.

"India and Bangladesh share historic relations, which have seen

unprecedented growth in the last decade," Modi said in a message shared through X, formerly known as Twitter.

Modi said he looks forward to working together to further strengthen the people-centric partnership between Bangladesh and India.

Hasina was among the first foreign leaders to congratulate him, reflecting the warmth and personal rapport between the two leaders, the message said.

Govt to rely more on local banks

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as budgetary support in the original budget, and it was revised to \$1.35 billion.

The new budget is likely to allocate \$12.86 billion as foreign financing and \$3 billion of it could be kept as budget support.

A top finance ministry official said the government had, in most years, failed to utilise the allocated foreign funds. The low use is another reason behind the decreasing foreign financing, according to the officials.

As of April, at least \$46 billion in unused foreign financing was in the pipeline.

During the National Economic Council meeting last month, Prime Minister Sheikh Hasina asked all

ministries and divisions to quickly finish foreign-funded projects.

While foreign fund utilisation is decreasing, the amount of bank borrowing is increasing significantly.

The highest borrowing will be from banks, Tk 1,37,500 crore. In the revised budget, the bank borrowing increased by 17.78 percent to Tk 1,55,935 crore.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said if the government increases bank borrowing, it leaves fewer chances for the private sector to get loans.

"This affects inflation and puts pressure on foreign currency reserves."

Modi likely to take oath as PM on June 8

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Nitish Kumar and Telugu Desam Party (TDP) President N Chandrababu Naidu, whose support is crucial to the government and its stability, attended the NDA meeting. Top leaders of the Bharatiya Janata Party (BJP) and its other allies were also present.

Both Kumar and Naidu handed over formal letters to Modi, declaring their support for him as PM.

Kumar's party won 12 seats and the Naidu-led TDP, the second largest party in the NDA, bagged 16. The support of both the parties is vital to prop up the Modi dispensation.

Earlier yesterday, NDA leaders met at Modi's residence to review the election result and discuss the government formation, after which a delegation of senior figures from the BJP and its NDA partners was supposed to meet President Droupadi Murmu at Rashtrapati Bhavan to stake claim to power.

With Modi's BJP failing to secure a majority on its own in the parliamentary election and looking up to NDA allies for support, the shape of national politics and governance at the Centre will be impacted. The electoral verdict has taken India back to the tricky terrains of coalition politics after a decade.

Ever since he became the prime minister for the first time in 2014, Modi has enjoyed the cushion of a comfortable BJP majority in the Lok Sabha and a much-weakened opposition.

With that cushion now gone, he will need considerable support from its allies like TDP, Janata Dal, and Eknath Shinde's faction of Shiv Sena.

However, the first challenge for BJP now would be to keep the NDA intact with a numerically resurgent opposition INDIA bloc snapping at its heels and not giving up the idea of cobbling together a majority in the Lok Sabha.

Both Naidu and Kumar are old hands in playing coalition politics and have switched sides a number of

times. The allies will look to drive hard bargains and extract their pounds of flesh as the government formation exercise is set into motion. This raises questions about their reliability.

The allies are expected to push BJP for a common minimum programme in the coming days. It is quite possible that BJP is forced to put its ideological core issues, like a nationwide uniform civil code, on the back-burner.

Sources said a variety of "demands", including special status for their states and a pick of ministerial berths, are on the table in talks between Modi, Kumar and Naidu. There are chances Modi will feel the often-conflicting pulls of coalition politics.

On the other hand, Nitish Kumar is likely to insist on conducting a countrywide caste census, an issue Congress and INDIA parties have also been flagging to give reservation on the basis of numerical strength of the backward populace. This is particularly important for Kumar, who faces a fresh assembly election in his home state.

Meanwhile, passing laws in parliament will require Modi to go for a consensual approach across the political spectrum -- something he is not used to.

Naidu, who contested the Lok Sabha polls and the assembly polls in Andhra Pradesh in alliance with BJP, and actor-turned-politician Pawan Kalyan of JanaSena party, had been kingmakers on many occasions in the past.

In 1996, when the Lok Sabha election produced a hung parliament, it was Naidu, as the convener of the United Front (a coalition of parties not aligned with either Congress or BJP), who propped up the HD Deve Gowda government with outside support from Congress. A few months later, he also played a key role in forming the government at the Centre with Inder Kumar Gujral at the helm.

In 1999, Naidu contested the Lok Sabha polls in alliance with BJP and secured 29 seats. He backed the then

Atal Bihari Vajpayee government, which was short of the majority mark. However, TDP did not join the government.

On the other hand, Nitish Kumar was, for a short period, the railways minister, surface transport minister and agriculture minister in the Vajpayee government from 1998 to 1999. He got the portfolio again in the Vajpayee government of 2000-2004.

Critics have accused Modi of having authoritarian streaks in the past. But when he assumes office in the coming days as head of the NDA coalition, can he live down that image and reinvent himself as a consensual leader who takes onboard his allies?

Ukraine downs 22 of Russia's 27 drones launched overnight

REUTERS, Kyiv

The Ukrainian air force said it shot down 22 of the 27 Shahed-type drones launched over five Ukrainian regions in Russia's overnight attack yesterday.

The attack damaged an industrial facility and injured one person in the region of Poltava, its governor, Filip Pronin, said on the Telegram messaging app.

The Ukrainian military destroyed six drones over the southern region of Mykolaiv, its governor said. Debris from one of them destroyed a private home, and damaged about 10 more, but no casualties were reported, he added.

Four drones were shot down over the southern region of Kherson and four more over the central Dnipropetrovsk region, the regions' governors said.

The attack also targeted the northern region of Sumy, with no details of damage reported by regional authorities.

BCL leader murders activist

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School polling centre. Izzaz was shot around 6:00pm when the procession reached the College Para Hostel area.

As Izzaz fell to the ground, some participants of the procession rescued him and whisked him to Brahmanbaria Sadar Hospital. Doctors at the hospital referred him to Dhaka for better treatment but he died around 7:00pm on the way to the capital.

This newspaper has seen a video showing Joy hiding his gun and fleeing the scene after the shooting.

Hearing about the shooting, a large number of Chhatra League leaders and activists gathered in front of the Brahmanbaria Sadar Hospital. They took out a protest procession.

Mohammad Shakhawat Hossain, superintendent of Brahmanbaria police, said that there was a dispute between two factions of district Chhatra League.

The OC said Izzaz's relatives took the body to Dhaka Medical College for an autopsy.



BCL leader Joy runs away with a gun after shooting Izzaz (not in frame).

PHOTO: VIDEO GRAB

'New law may dent BTRC's autonomy'

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and Association of Mobile Telecom Operators of Bangladesh.

Zunaid Ahmed Palak, state minister for telecom, said changes would be made to the draft in light of the concerns.

As a one-stop service provider, the BTRC needs independence, he said.

"If the law puts pressure on them, they cannot act autonomously," he said, adding that the BTRC and the ministry should work together.

As per the draft, social media sites like Facebook or X will need licences to operate in Bangladesh.

The current law's Tk 300 crore fine for unlicensed telecommunication activities will stay in the new one.

Shahed Alam, chief corporate and regulatory officer of Robi, said, "We believe excessive regulation through licensing will hinder growth in the sector."

China accuses US of interfering after Tiananmen comments

AFP, Beijing

China yesterday lashed out at the United States after Washington's top diplomat Antony Blinken vowed never to forget the crackdown in Tiananmen Square 35 years ago.

"The move of the US seriously interferes with China's internal affairs," foreign ministry

spokeswoman Mao Ning said. "China is strongly dissatisfied and firmly opposes it," she added.

She called on the United States to "stop provoking ideological confrontation, and stop interfering in China's internal affairs under the pretext of human rights."

Chinese troops and tanks forcibly dispersed peaceful protests in

Beijing's Tiananmen Square on June 4, 1989, quelling huge, weeks-long demonstrations demanding greater political freedoms.

The exact toll is unknown but hundreds died, with some estimates putting the figure at more than 1,000 people. China's leaders have since sought to erase any public mention of the crackdown.