

International Business News

Indian economy posts best performance since 2007

AFP, New Delhi

India's economy grew 8.8 percent in the fiscal first quarter, its best performance since 2007, data showed Tuesday as the country returned to boom levels last seen before the financial crisis.

The expansion between April and June was led by a 12.4 percent year-on-year surge in manufacturing, a 9.7 percent leap in services and an 8.9 percent jump in construction, official figures showed.

India's impressive numbers came as the outlook for many developed economies is deteriorating and fears mount that solid growth rates in emerging Asia could falter.

"India is flying," said HSBC economist Frederic Neumann, noting the economy showed no signs of a double-dip slowdown.

The last time Asia's third-largest economy grew at a faster pace was in the final three months of 2007, when it expanded 9.7 percent.

The South Asian country, home to 1.2 billion people, is the world's second-fastest growing major economy, slightly behind regional rival China, which logged growth of 10.3 percent in the same three-month period.

Patent suits filed against Facebook, Apple, Google

AFP, San Francisco

A company owned by Microsoft co-founder Paul Allen on Friday blasted Apple, Facebook, Google, YouTube, Yahoo! and others with a patent infringement lawsuit filed in a US court.

Seattle-based Interval Licensing, an Allen company, accused 11 online commerce and Internet search firms with infringing patents on fundamental Web technologies Interval developed in the 1990s.

"Interval Research was an early, ground-breaking contributor to the development of the Internet economy," said Allen spokesman David Postman.

"This lawsuit is necessary to protect our investment in innovation."

Postman stressed that the technology at issue was created by Interval Research, a company founded by Allen and David Liddle in 1992, and not patents acquired from other firms.

The list of defendants in the lawsuit included AOL and Internet auction house eBay as well as online movie rental firm Netflix and retail chains Office Depot, OfficeMax, and Staples.



New Mexican bills bearing denominations of five hundred pesos are presented at the Banco de Mexico, in Mexico City, on Monday. The new bills have images of Mexican artists Diego Rivera and Frida Kahalo.

HP to pay \$55m in kickbacks case

AFP, Washington

Hewlett-Packard has agreed to pay 55 million dollars to settle claims the US computer giant defrauded the US government, the Justice Department announced Monday.

The settlement resolves allegations that HP paid kickbacks to systems integrator companies in return for recommendations that US agencies buy HP products, the department said in a statement.

It also resolves claims that a 2002 contract between HP and the General Services Administration, the US government's chief procurement body, was defectively priced because HP provided incomplete information to the GSA.

The 2002 contract involved sales of computer equipment and software to federal agencies by the California-based company, the world's largest computer maker.

"Contractors must deal fairly with the government when doing business with federal agencies," US assistant attorney general Tony West said.

"As this case demonstrates, we will take action against those who seek to taint the government procurement process with illegal kickbacks," West said.

Google, AP reach content licensing agreement

AFP, Washington

Google and the Associated Press announced on Monday they have reached a licensing agreement that will allow the search giant to continue hosting content from the US news agency.

The deal, terms of which were not disclosed, was concluded after what the AP described in a story as "months of sometimes thorny negotiations." It replaces an agreement that expired in January.

The agreement allows Google to display AP content on such properties as Google News, the search giant's popular news aggregator.

The Wall Street Journal, citing "people familiar with the matter," said the agreement will allow Google News to host AP articles for "at least two more years" and for Google to pay the AP "in the seven figures annually."

The newspaper said the AP had backed off certain demands including an attempt to have more of a say in how prominently AP content is featured in search results.

FESTIVAL

Paper Eid cards bounce back

MD FAZLUR RAHMAN

Shoppers and businesses are sending out paper Eid cards for near and dear ones -- or just clients -- this month, bucking competition from multimedia messaging services (MMS), emails, e-cards and short message services (SMS).

Personal card retailers said sales gained momentum as the month of Ramadan entered its third week, because exchanging traditional paper greeting cards adds to the festive spirit better than a few bits of data.

The younger generation's love of new technologies caused sales of cards to drop in past years. But people who used to buy and send cards still do so, say card sellers; and businesses are doing it more than ever.

"Sending a card is an emotional issue, which MMS and SMS may not be able to serve," said Shahin Mahmud, sales manager of Archies Gallery at Bashundhara City Shopping Mall.

"A card does not only carry a message, but also the sender's thinking, philosophy, emotion and personality."

Mahmud said he has already run through his personal Eid card stock for the first half of Ramadan, and that sales are on track to be higher this year than last year, when he sold Tk 40,000 worth.

He hopes sales grow more after the 25th of Ramadan: "Sales usually grow fourfold in the last week of the holy month, when Eid-shoppers make last-minute preparations."

Archies Gallery is a franchise of India's market leader in the greeting card industry.

Conveying a message just by dialling a number or sending a text message takes very little effort and time. As a result, the MMS, SMS, e-card and email changed the way we greet each other each day, making the paper card seem a thing of the past to some.

People can now greet hundreds of friends within a few minutes, which would not be possible through paper cards in a cost- and time-efficient way.

Although many people continue to be loyal to paper cards, local manufacturers admit a sales slide.



A shopper browses through greetings cards at a Hallmark outlet at the New Market in Dhaka yesterday.

Abul Kalam Azad, chairman and managing director of Azad Products, a leading card maker, blamed technology for a drop in personal Eid cards sale of 70 percent in the last few years. Azad Products is the largest greeting card producer and retailer in Bangladesh, with nearly 200 staffs and 17 stores.

Yet the sale of corporate greeting cards has moved in the opposite direction, Azad said: "To greet clients or associates, banks, insurance companies, telecom operators or any other multinational company cannot think of anything else but paper cards. Short mobile messages are simply unworkable here."

Azad Products sells Eid cards ranging between Tk 2 and Tk 200, and handles around 70 percent of the corporate card printing business in Bangladesh.

Many suggested that the use of paper cards to greet or wish some-

one during Eid would keep declining, yet many who still prefer it, even among the young.

For Soma Islam, a student of Eden Girl's College, the appeal for paper cards cannot be matched by emails or SMS. "I always like to send fancy and colourful cards to wish my friends," she said.

Islam said she even bought an Eid card to send to Tamim Iqbal, a popular national cricketer. She said sending greetings through the mobile phone seems technical, which lacks an emotional touch.

She also questions whether the messages sent through mobiles or emails properly convey what people really want to say -- and there lies the magic of paper cards.

He said each year 300,000 personal greeting cards are sold across the country on occasions such as Eid and Friendship Day, while about 30 lakh corporate greeting and wedding cards are sold.

"To counter the decline in the

personal card business, card manufacturers are selling other gift items," he said, adding that mobile and internet-based services have won over the paper-based cards.

Ehteshamul Huque Chowdhury, manager of Ideal Products, a card maker with 24 showrooms across the country, had another complaint: "The government's decision to close educational institutions in the capital to ease the traffic congestion much earlier than usual has affected our Eid sales a lot."

"Students are one of our main target groups. In the past, they used to come in droves. But as the schools, colleges and universities are closed now, we only see a few of them."

Chowdhury said Eid card sales fell in previous years because of the invasion of SMS and e-cards. However, he still believes in paper: "The MMS, SMS or e-card doesn't have the same appeal."

NM Elias, 60, an engineer, bought 10 cards for his friends and grandchildren. He says he always buys and gifts cards ahead of Eid. People who used to buy gift cards in the past have not given up the habit, he said.

"The young generation has not grown up with this habit, and so they are more interested in the internet and mobile," he told The Daily Star yesterday. "Cost is also an issue. But an SMS will not give the same feeling as a card."

The elderly Eid-shopper said he once received a lot more greeting cards from his friends and cousins. "But now, I only receive a few personal cards against a rising number of official cards."

"Although the use of Eid cards among the youth is declining, you will still see children setting up small, makeshift shops in residential areas ahead of Eid," he said.

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ANALYSIS

Is it too late for China to change?

REUTERS, Beijing

Three numbers should suffice to give Chinese economic policymakers a sleepless night: 65.4 million, \$28.7 billion and \$2.45 trillion.

In order, they are the estimate by a government researcher of how many apartments stand vacant in China, many of them bought as speculative investments; the country's trade surplus in July; and the international reserves the central bank has accumulated by buying dollars to hold down the yuan.

Together, they encapsulate the distortions of an economy that favours investment by suppressing the cost of capital and other inputs at the expense of consumers, whose spending power is held down by low wages and low deposit rates.

Unable to sell at home all that it produces, China exports the rest.

This template has powered 30 years of headlong growth that is catapulting China past Japan to become the world's largest economy after the United States.

But it is a formula that Beijing readily agrees is unsustainable: China needs to rely more on household spending, especially as its export prospects are darkening now that the West is tightening its belt to purge excess debt.

Many experts are confident that a pragmatic China will succeed in making the transition in the coming decade to a new growth model anchored by urban-based consumption, technological upgrading and a greater role for market forces.

Doubters, though, have two prime reservations. First, that China has left it too late to wean



A Chinese shopper buys vegetables at a supermarket in Hefei, central China's Anhui province on Monday. China is raising workers' wages to help households deal with rising consumer prices, which were up 3.3 percent in July, compared with 2.9 percent in June.

itself off investment-heavy exports. And second, that the ruling Communist Party will fail to overcome the vested interests resisting reform.

"The imbalances cannot continue at this rate for another 10 years. That's simply not possible," said Michael Pettis, a professor of finance at Peking University.

He said pressure to change could become overwhelming within two to three years, or even sooner if trade conflicts flare up.

"They're embarking on change at a time when the rest of the world may not give them much time to shift," Pettis said. "Over the next decade we're going to see average

growth rates of 5-6 percent, heavily frontloaded."

His scepticism is shared by some at the heart of the Chinese establishment.

Zhou Tianyong, a professor at the Central Party School in Beijing, which trains rising Communist Party officials, has long argued that China needs steady but far-reaching political reforms.

In a new book, "Where Is China Headed?", Zhou says China could be heading for a political car-crash unless it reduces bloated government, unshackles small business and ends distortions in the housing market.

"Which way will we go down? If

we choose the right route we can avoid falling into a development trap; if we choose the wrong one, we may fall into a 'China trap' of social and political turmoil, slow economic growth, enduring lack of prosperity, and weak and declining national competitiveness," Zhou writes.

The 'China trap' looms if policymakers continue to promote a pattern of growth that "privileges industry, big corporations, big capital and big projects", Zhou believes.

Shifting gears will be difficult, he reckons, because of the habits China has formed and the entrenched interests that have built up.

And there's the rub. Does the Communist Party have the will to remove some of the power and wealth it has bestowed on its favorites?

China's markets for the factors of production are riddled with distortions that subsidize producers, exporters and investors, according to Huang Yiping and Wang Bijun from the China Centre for Economic Research at Peking University.

Labor, capital, land and energy are all cheap, they write in "China: The Next Twenty Years of Reform and Development", a joint Australian-Chinese collection of essays.

This is equivalent to taxing the owners of these inputs, mainly consumers, which is why household income and consumption have plummeted as a share of GDP, they argue.

"All these suggest that factor-cost distortions have been a fundamental force behind China's structural imbalances, which alongside other problems such as inefficient resource use and pollution could seriously affect China's ability to sustain its rapid growth in the future," they write.

Seen in that light, the problem is not one of economic policy but of political economy.

Yao Yang, also an economics professor at Peking University, bemoans that the government itself, its cronies and state-owned enterprises are forming powerful interest groups.

Writing in the same volume of essays, Yao says the Chinese Communist Party should realize for its own sake that there is no alternative to fuller democratisation if it wishes to maintain both high economic growth and enhanced social stability.