

Spend more on agriculture to boost output: analyst

STAR BUSINESS REPORT

BANGLADESH should spend more on roads, electricity, irrigation and inputs delivery in addition to research and development to boost farm sector output, an economist said yesterday.

"Please do not take your eye off research and development, which is very important," said Prabhu Pingali, an internationally-acclaimed agriculture economist.

"Research and development is however just one feature. Bangladesh as well as other countries should invest more for infrastructure, inputs supply system and credit system to continue achievements in agriculture," he said.

The former agriculture economist of International Rice Research Institute presented a public lecture on "South Asian Agriculture -- Looking beyond the Millennium Development Goals" at the CIRDAP auditorium in Dhaka.

BRAC, one of the largest non-government organisations in the world, organised the lecture in association with the Seattle-based Bill and Melinda Gates

Foundation.

Pingali said there had been a dearth of investment in R&D for a while across the world. "Recently, China and India have taken drastic measures and increased investment for the sector."

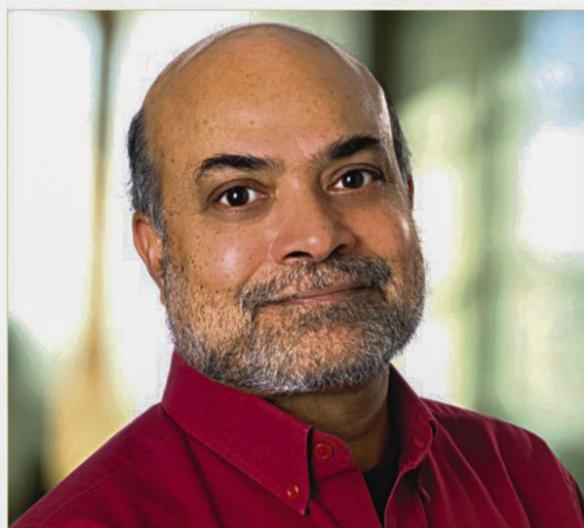
He said investment from the private sector by local and global companies is pouring into agriculture in line with the public sector.

"Investments in agricultural research and development yield high returns."

Pingali also said technology alone would not be able to ensure growth in productivity. "There is a need for an overall environment, which helps farmers to reap benefits and gives them the incentive to continue farming."

He said Bangladesh has made a tremendous accomplishment in terms of increasing rice production. "A few decades ago, people were talking about most of the Asia, including Bangladesh, not being able to feed itself. However by the 1980s, Bangladesh became self-sufficient in rice production."

He said investment in agriculture would have to be continued to keep repeating the



Prabhu Pingali

same success story, as growth in agriculture output has significantly contributed to reducing poverty.

He said Bangladesh as well as the whole world is in a period of renaissance, in terms of agriculture. "It is an exciting time for agriculture science and economics."

"Agriculture is again back on the agenda, and people are back to supporting investment for

the sector."

Pingali said the millennium development goals (MDGs) are going to expire in 2015, and there is a lot of discussion on what happens next and what would be the next goals.

He said Bangladesh would be able to reach its MDGs on poverty and hunger, although South Asia would still be lagging behind by fairly a small amount. The economist however said

poverty rates have not fallen as fast in India and Bangladesh, as in China between 1980 and 2010, which is unacceptable.

He said in Bangladesh, the poor are more concentrated in flood, drought, and salinity-prone areas, which calls for a shift in the approach to bring down poverty.

He said developing countries, including Bangladesh should increase land and labour productivity, as a large amount of land is being used for homes and industries, while wages are going up.

Pingali, who also worked for the World Bank and Food and Agriculture Organisation, said each country needs its own process for achieving the MDGs on hunger and poverty.

Mahabub Hossain, executive director of BRAC, who chaired the programme, thanked the Bill and Melinda Gates Foundation for prioritising Bangladesh's agriculture sector.

The noted agriculture economist also said technological development and innovations in the agriculture sector are going on around the world. "We hope that the foundation will play a catalytic role so that we can test them in Bangladesh."

Launch of new stock index faces delay

SARWAR A CHOWDHURY

THE introduction of a fresh index on the stockmarket is facing a setback as the Dhaka Stock Exchange is yet to fully take preparations to launch the new index that would be based on a free-float method.

The premier bourse is taking additional time to launch the new index, although it was supposed to introduce it from this April, as prescribed by the Securities and Exchange Commission.

The non-submission of information on the free-float of shares by 39 listed companies is another reason for the delay.

Although the DSE asked the companies several times to submit their latest position on the free-float, they failed to do so.

The DSE, however, said the non-submission of information on the free-float shares by the 39 companies is the major impediment to launching the new index.

The prime bourse is taking time to make sure that the new one is more accurate and meets international standards, it said.

"We are going to appoint a consultant so that we can have a flawless index of international standards," said Rakibur Rahman, president of the DSE.

Another DSE official said, as the new index will be computed by the free-float shares of listed companies, it will not be possible to launch the new index until all the companies submit or provide the statistics on their free-float shares.

The DSE had asked the 39 companies earlier to submit information on free-float status of their shares within March 10, but no one has done so yet.

READ MORE ON B3

Patent wars plague Internet Age

AFP, San Francisco

THE Internet Age is becoming as known for patent litigation as it is for online innovation.

From the makers of computer chips to creators of smartphones and designers of videogames, rivalries have spread from marketplaces to courtrooms with combatants warring over rights to use technology.

"For many years, there was basically a stalemate in the patents arms race with an understanding that companies wouldn't sue each other," said Colleen Chien, a law professor at Santa Clara University in Silicon Valley.

"That was disrupted by a new business model of patent assertion," she continued. "It has become acceptable to violate the gentlemen's agreement of not suing and now it is the new norm."

The break in the unofficial truce was inspired in part by "patent trolls," entities that buy or file patents with the sole intent of some day suing entrepreneurs who use the ideas.

Ranks of patent trolls are growing, as is the number of large companies turning to patent litigation not just to cash-in but to gain or protect market terrain, according to Chien.

"What do you call an AOL or a dying company that turns to patent lawsuits?" she asked rhetorically. "Do they become corporate trolls?"

Struggling Internet pioneer Yahoo! last month filed a lawsuit against Facebook accusing the social networking star of infringing on 10 of its patents.

The suit claimed that "Facebook's entire social network model, which allows users to create profiles and connect with, among other things, persons and businesses, is based on Yahoo!'s patented social networking technology."

Facebook returned fire with a countersuit accusing Sunnyvale, California-based Yahoo! of being the one infringing on patents, and not the other way around.

Even business software giant Oracle has weighed in. A trial will get underway on Monday in a patent case Oracle filed against Google based on software used in Android operating systems.

As patent suits proliferate, Internet firms with ample war chests are spending small fortunes



AFP

This image combination shows the company logos of Microsoft Corporation and internet provider AOL. AOL announced plans to sell more than 800 patents to Microsoft in a \$1.056 billion deal.

to arm themselves with portfolios purchased from technology companies selling off intellectual assets.

AOL this week announced plans to sell more than 800 patents to Microsoft in a \$1.056 billion deal giving the faded Internet star a needed cash injection.

Microsoft general counsel Brad Smith said that the software giant is getting "a valuable portfolio that we have been following for years."

Facebook in March confirmed that it bought 750 software and networking patents from IBM to beef up its arsenal on an increasingly lawsuit-strewn technology battlefield. Early this year, Google bought 188 patents and 29 patent applications related to mobile phones from IBM but did not disclose how much it paid.

Last year, IBM sold Google 2,000 or so patents ranging from mobile software to computer hardware and processors.

Google has been strengthening its patent portfolio as the fight for dominance in the booming smartphone and tablet computer markets increasingly involves patent lawsuits - with Apple a prime litigator.

The Mountain View, California, technology titan behind Android mobile device software last year transferred patents to smartphone giant HTC Corp. to help the Taiwan-based company in an intellectual property clash with iPhone maker Apple.

Apple has accused HTC and other smartphone makers using Google's Android mobile operating system of infringing on Apple-held patents.

Some of the patents that HTC got from Google had belonged to Motorola Mobility, which Google is buying for \$12.5 billion in cash in a quest for precious patents.

"Our acquisition of Motorola will increase competition by strengthening Google's patent portfolio, which will enable us to better protect Android from anti-competitive threats from Microsoft, Apple and other companies," Google chief executive Larry Page said when the Motorola Mobility buy was announced.

Motorola Mobility chief executive Sanjay Jha told financial analysts the US maker of smartphones and touchscreen tablet computers has over 17,000 issued patents and another 7,500 pending.

Disconnect in stockmarket

RASHAD HAQUE

THERE is a saying "the road to hell is paved with good intentions". History is littered with good intentions gone wrong from Hitler's Germany to modern day Chavez's Venezuela; that is why countries are usually governed by laws that usually follow due processes to ensure it protects every citizen's interest rather than good intentions.

The responses by the Dhaka Stock Exchange (DSE) president and attorney general that the 2 percent rule is in the "interest of the investors" makes it clear that there is no legal basis for the 2 percent rule other than just 'good intentions'.

By stating that "we are trying to enforce the 2 percent regulatory directive to protect the share market and the investors," the regulators are again absolving themselves of their past failures. There is a laundry list of failures but key specific ones are as followed:

- Policy failure to intervene during the stratospheric rise in the share markets in 2009 and 2010 when any logical person can say that a rise of 50 percent in a few weeks in a particular security is not natural.
- Effectively monitoring market (i.e. especially transactions through omnibus accounts) when certain quarters were spreading rumours and then trading through these accounts to take advantage. Omnibus accounts are single accounts where transactions from multiple investors (sometime hundreds or thousands) go through daily, making it difficult for anyone to track its activities to single investors.
- Inability to design effective policy that minimises peak selling pressure (i.e. most institutional selling happens at the end of the third and fourth quarter of the year, when banks sell their holdings to realise profits for the yearend book close).
- Arbitrary approval of share issuance and stock dividends without any basis for financial performance. The SEC has repeatedly allowed companies to issue stock dividends well in excess of financial performance that has no fundamental basis.
- Failure to take any credible action on findings of the government mandated stockmarket probe report, which the government unbelievably later dismissed. The dismissal was not because it was factually incorrect, but because

according to our honourable finance minister, "there are powerful people in the accused list".

It is a known fact that a large amount of money exited the market through a few omnibus accounts; this was one of the findings of the government commissioned stockmarket probe report. Rather than further investigating these accounts to track down the ultimate beneficiaries, regulators and the government stood by silently while certain quarters went to great length to character assassinate the main committee members using their media outlets.

As with most things in Bangladesh, the drama eventually subsided and everyone seemed to have forgotten about the probe committee and its findings, which are still valid. Perhaps the government and regulators felt embarrassed as it so happens in Bangladesh to further investigate these accounts.

What is even more surprising is that the omnibus account continues to be used today with no plans to bring transparency

What is even more surprising is that the omnibus account continues to be used today with no plans to bring transparency.

Since the regulators and government were powerless to do anything against a handful of people, what was cooked up was a whimsical plan to artificially prop of the market again.

By concocting crazy schemes such as the 2 percent minimum holding to artificially create demand this policy dictates that the sponsor director has to buy up shares at the prevailing market price, not because they want to, but because they are forced to provide political cover to the current administration for its failure.

Unfortunately, what this short-sighted policy will do in effect is allow the same individuals that took advantage of the situation through the omnibus accounts, to do the same again in the near

future. The only difference is that this time around, the victims will not be only small retail investors but also sponsor directors who were forced into the market.

So it is hardly surprising that the sponsor directors should do everything that is in their power to prevent being swindled when the regulators will stand aside idly again when it matters.

If the regulator and the government are genuine about their intention in protecting the market and its investors, they should make concerted effort to:

- Investigate the omnibus accounts and its activities at the top of the market to unearth its ultimate beneficiaries.
- Phase out omnibus accounts to prevent from similar situation arising again.
- Implement a sensible policy to incentivise all investors to hold their investment for the long term (three years or more). This will help alleviate some of the selling pressure that is observed during third and fourth quarter by institutional investors such as banks. This may also be a useful policy to bring black money into the formal economy.
- Focus on (for SEC in particular) building capacity and strengthening standards and requirements for quarterly and annual financial for all public institutions.
- The exchanges should seek investment from developed regional bourses such as Singapore Stock Exchange to build monitoring and market surveillance capabilities while also adapting uniform market standards. This will not only provide much needed positive media coverage but also build confidence among large institutional investors from all over. There is no better way to get noticed than having investment from someone else who has their house in order.
- Bring transparency in approval of share issuance and stock dividends; currently there is no clear policy in this regard. It is common for SEC to approve 50 percent stock dividends for a company that might had only a 10 percent net income increase. The arbitrariness confuses the retail investors who confuse share issuance with company performance.

The writer works as a management consultant serving the financial services industry in New York. He can be reached at rashad.haque@gmail.com.