ADB will give second opinion on Padma bids: Muhith

REJAUL KARIM BYRON, *back from New Delhi*

THE Asian Development Bank (ADB) president has assured the country of its guidance during the implementation of the Padma bridge project, Finance Minister AMA Muhith said on Sunday.

"As of now, ADB is not involved in the project's financing, but they have agreed to give us a second opinion on the bids for the three main components of the project," he said.

Previously, the World Bank (WB), in its capacity as the lead donor of the project, was supposed to conduct a second evaluation of the bids received by the government for appointment of a supervision consultant, the main bridge construction and river training.

"Therefore, the bid evaluation will now be fair and transparent," Muhith said in an interview with a group of Bangladeshi journalists following a meeting with ADB President Takehiko Nakao on the sidelines of the 46th annual meeting of ADB, held at the Indian capital on May 2-5.

In the meeting with Nakao, he presented the government's implementation plan of the Padma bridge project.

"The construction work of the main bridge is likely to start next September, and I expect the corresponding tender to be floated by the end of this month."

The government has already reappointed Maunsell AECOM, an engineering consultancy firm headquartered in the US, to prepare the tender documents taking into consideration the changed ground reality, Muhith said.

"Maunsell AECOM will make a quick survey and seek fresh expressions of interest from the four pre-qualified bidders," he said, adding that the companies would then submit their new proposals within 42 to 45 days.

Asked about the project's financing, Muhith has reiterated the government's resolve to start the bridge construction with own financing.

About the discussions that took place at the ADB annual meeting, Muhith said: "One of the things we talked about was the formation of a fund from where the member countries could get assistance for development of their infrastructure."

"Among the ADB member countries China and India have emerged as rich countries, and the old donors want them to increase their contribution to the ADB," he added.

On the sidelines of the ADB conference the Saarc finance ministers held a meeting, where, Muhith said, an informal discussion was had about the probability of introducing a common currency for the region.

"The topic will be discussed formally at the next meeting of the Saarc countries, which will be held in Sri Lanka."

Muhith said his opinion is keeping the common currency limited within the eight countries, but if that is not possible three or four countries can do that.

"However, it is not possible to introduce the common currency between Bangladesh and India, as there are many complexities."

The finance minister said he also held a meeting with the Indian finance minister on the sidelines of the meeting, during which they discussed issues of bilateral interest including the Teesta deal, border-related issues and introduction of transit.

About the transit, Muhith said he informed India that it would not be possible until Bangladesh's infrastructure-related problems are solved.

AMA Muhith

GM makes $1.3b Cadillac bet on China luxury sector

AFP, *Shanghai*

US auto giant General Motors will build a $1.3 billion Cadillac plant in Shanghai after China approved the project, it said Tuesday as it seeks more luxury sales in the world's biggest car market.

Construction of the plant -- which will have annual capacity of 150,000 vehicles -- will start in June, GM said in a statement.

The factory, the first in China dedicated to making Cadillacs, will come under Shanghai GM, a joint venture with China's SAIC Motor.

"Shanghai GM has received the NDRC's (National Development and Reform Commission's) approval to build a Cadillac plant," the statement said.

The huge investment marks a bet that GM, the largest US auto maker, will be able to win a larger piece of China's rapidly-growing luxury vehicle market, in which German brands hold an estimated 80 percent share.

Analysts say GM is a laggard in the segment, one of China's fastest growing and most profitable given rising incomes in the country.

BUDGET PROPOSAL

ICB seeks Tk 2,000cr to increase fund flow to stockmarket

STAR BUSINESS REPORT

THE Investment Corporation of Bangladesh (ICB) has urged the government to allocate Tk 2,000 crore in the upcoming budget to increase the flow of funds to the stockmarket.

The state-run investment firm also requested the government to fix a 5 percent interest rate on the fund that will be borrowed by different institutions such as merchant banks, stockbrokers and other institutional investors.

The ICB made the appeal at a budget proposal that was recently submitted to the finance ministry for consideration, a top executive of the investment firm said yesterday.

"It is required to increase the liquidity supply in the secondary market and overcome the continuous downward trend," said Md Fayekuzzaman, managing director of the investment firm.

The refinancing scheme at a concessional interest rate will help the institutional investors, as their cost of funds will be reduced and they in turn can lend money to retail investors at lower rates, he said.

"If the government considers our proposal, the market will get back momentum," Fayekuzzaman said.

The Bangladesh stockmarket has seen a downward trend since the price debacle in early 2011. As of yesterday, the benchmark index of the Dhaka Stock Exchange declined by 4,594 points from 8,304 points on January 2, 2011.

In its budget proposal, the ICB also requested the government to cut the tax rate on capital gains for companies. At present, companies pay 10 percent to National Board of Revenue on income from share investment.

The corporation said the 10 percent rate may be continued for investment held for one year, but the rate may be reduced to 5 percent on shares held for two years, and 2.5 percent for above two years.

It will encourage long-term investment and help stabilise the market, the ICB added.

The investment firm also recommended withdrawing the provision for paying taxes on income derived from company dividends. Paying taxes on dividend creates double taxation, as the companies already pay taxes on their income, the ICB said.

In addition, the investment corporation also proposed to make the income from share investment tax free for up to Tk 25 lakh for retail investors.

HSBC's profit more than doubles to $6.35b as bad debt falls

AFP, *London*

ASIA-focused bank HSBC announced on Tuesday that net profits more than doubled to $6.35 billion (4.86 billion euros) in the first quarter, aided by tumbling bad debts and cost cutting.

Earnings after taxation surged 146 percent in the three months to the end of March, from $2.58 billion in the same part of 2012, the lender said in a results statement.

Underlying pre-tax profits, stripping out exceptional items, soared 34 percent to $7.6 billion. Revenues rose five percent to $17.6 billion.

"We have had a good start to the year, with growth in reported and underlying profit before tax," said chief executive Stuart Gulliver in the earnings release.

He added: "While continuing uncertainty in the global economy has created a relatively muted environment for revenue growth, we have increased revenue in key areas including residential mortgages and commercial banking in both our home markets of Hong Kong and the UK, and in our financing and equity capital markets business.

"Loan impairment charges were lower in every region, notably in North America," he said, adding that the group was also lifted by its "continued focus on cost management".

Bad debts -- consumer loans that have turned sour -- sank 44 percent to $1.17 billion in the reporting period. That compared with $2.09 billion last time around.

The lender, which is Europe's biggest bank by market value, has axed more than 37,000 jobs since the end of 2010 in a huge restructuring.

Last year, meanwhile, the bank had posted a 16.5-percent slump in annual net profits as it was hit by US money-laundering fines, mis-selling scandals, rising taxation and a vast accounting charge.

REUTERS

People walk outside one of the branches of HSBC in Hong Kong.

India shows US path to patent standards

SWAMINATHAN S ANKLESARIA AIYAR, *for Reuters*

HEADLINES have been trumpeting the Indian Supreme Court's decision to deny a new patent for the cancer drug Gleevec as an attack on intellectual property rights and a win for patients in need of cheap drugs. Those headlines are misleading.

What the ruling actually demonstrates is that India has set a high bar for determining what is "innovative." The United States could learn a thing or two from India – particularly since Washington's excessively liberal patent system led to a ridiculous spat last year between Samsung and Apple over whether a rectangular cellphone screen with rounded corners was patentable.

To understand the dynamics of this uproar, a brief history lesson is required. Novartis patented Gleevec in 1993, a time when India did not grant product patents for drugs. After Indian law changed to allow them in 2005, Novartis came up with a variation of Gleevec, claiming this improved the drug's effectiveness – and so qualified for a patent.

The Indian Patents Office rejected the claim as insufficiently innovative. Other appellate bodies and the Supreme Court concurred.

The response from patient and pharmaceutical advocates alike has been loud – but misguided. YK Sapru, of the Cancer Patients Aid Association in Mumbai, declared: "We are happy that the apex court has recognized the right of patients to access affordable medicines over profits for big pharmaceutical companies through patents."

The court did not recognize any such "right." It judged that the new variation of the drug was not innovative enough.

On the other side, Chip Davis, with the Pharmaceutical Research and Manufacturers of America, described it as "another example of what I would characterize as a deteriorating innovation environment in India."

That characterisation is unfounded. The court clarified it was not against patenting drugs but was just insisting on a proper standard for innovation.

REUTERS

Novartis India headquarters in Mumbai.

The court's ruling has highlighted the fundamental point that patents are monopoly rights – which should not to be granted too liberally. Competition must be promoted and monopolies penalized, with the exception that temporary monopolies are strongly justified to reward innovation. This includes rewarding true drug innovations, not the tweaking or "evergreening" of old patents through slight variations.

In stark contrast to India, Washington grants patents liberally, with a low bar for deciding what is innovative. As a result, the US patent office has been snowed under by an avalanche of patent applications it can hardly scrutinize thoroughly. This has three unfortunate consequences.

First, many new initiatives (especially in software and business processes) attract dozens of lawsuits, making innovation risky and expensive. The winners are those with the best legal brains and largest budgets, not the best innovations.

Second, liberal patents hamper follow-on innovations. Unlike Isaac Newton, today's innovators cannot stand on the shoulders of giants without being hit by lawsuits for patent infringement.

Third, liberal patent-granting policies spur patent trolls and defensive patenting. Patent trolls buy quantities of patents, often from ailing or bankrupt companies, with no intention of using them. Instead, the trolls aim to sue actual producers in the relevant fields, forcing them to settle to avoid heavy legal costs. Patent trolls imposed an estimated $29 billion in direct costs on producers in 2011, according to a Boston University study.

Google, for example, paid $12.5 billion for Motorola's smart-phone business – largely to get access to the latter's multitude of patents. Many are of uncertain value and may ultimately be struck down by the courts, but they constitute powerful legal ammunition. Most creative US companies are spending far too much time litigating instead of innovating.

Google justifies its patent arsenal by saying it has to fight similar stockpiles owned by Microsoft and Apple. A group of companies headed by Microsoft had earlier bought 6,000 wireless patents from Nortel for $4.5 billion. This had nothing to do with innovation – and everything to do with avoiding possible litigation in future.

While the Indian Supreme Court verdict on Gleevec is not directly related to patent issues affecting software, wireless and business processes, it is an important reminder of the need to go back to basics. Monopolies are inherently bad since they lead to high prices and exorbitant profits unrelated to efficiency or innovation. It should be no surprise that even well-intentioned monopolies, like patents, produce a welter of adverse consequences.

The solution is to set high standards for patents. This means abandoning broad patents and rejecting patent claims for minor or incremental improvements. It means rewarding true innovators while discouraging those seeking to reap rents from practices like patent trolling.

Washington has long lectured India and other developing countries on the need for high standards globally in labour and environmental matters. Why not for patents too?

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