

**International Business News**

**Vietnam rice troubles could affect region**

AFP, Los Banos, Philippines

Vietnam's farm sector is reeling from outbreaks of pests and disease that could threaten its neighbours including China, according to one of the world's leading rice experts.

Hanoi and the world scientific community have yet to find a way to prevent another crop failure following a virus attack on rice crops last year, said Robert Zeigler, head of the International Rice Research Institute (IRRI).

Vietnam is the fifth-largest rice producer and number three exporter in the world, and last year's troubles hit some of the best rice-growing areas, Zeigler told AFP in an interview at the Institute, just south of Manila.

"The fact is, they got taken by surprise and they had some significant yield losses that they were just not expecting," he said.

"Of course we are concerned about Vietnam. But some of these pests can migrate up into China, and who knows if they could move up and cause some serious problems?"

He noted that, while China is not a key player in the international rice trade, the country is by far the world's largest producer and consumer of the grain.

Vietnam also lies close to Thailand, the world's top rice exporter, and rich rice-growing areas in Myanmar and Cambodia.

**US says Doha round not a 'North-South' matter**

AFP, Hanoi

A White House economic affairs advisor said Friday that developing countries have more to gain than the rich north from the lower tariffs the United States is seeking in the Doha round of trade talks.

"The Doha round is often incorrectly characterized as a North-South issue. In fact, developing countries have the most to gain from the cut in tariffs from other developing countries," Daniel Price told a trade meeting in Hanoi.

"Around 70 percent of tariffs paid by developing countries are paid to other developing countries" he added, adding that trade between developing countries is increasing 50 percent faster than overall trade.

The trade talks have opposed developing countries that denounce food subsidies by rich countries and poorer countries that are demanding lower tariffs for their products and services.

Daniel Price said the Doha round was at a critical crossroads and that it was time for world leaders to make some tough political choices.

**S Korea's per capita income tops \$20,000**

ANN/ THE KOREA HERALD

Recently released data by the central bank showed that the South Korea's per capita income surpassed US\$20,000 for the first time ever last year on the back of strong exports and a weak dollar.

The Bank of Korea said the gross national income per capita reached \$20,045 in 2007, up nearly 9 per cent from a year earlier.

In 1995, the nation's income level first touched the \$10,000 mark, but the figure fell to \$7,355 in 1998 following the 1997-98 Asian economic crisis.

A strong economic rebound and fast-growing exports helped triple the per capita income over the past decade.

The fast appreciation of the won also helped boost the figure growth. The won strengthened about 10 per cent against the US dollar between 2005 and 2007, raising Korean's dollar-term income.

Real gross national income, a yardstick for the consumer's buying power, expanded only 3.9 per cent last year, below the 5 per cent growth in the nation's gross domestic product. The gap resulted from worsening terms of trade due to soaring oil and commodity prices, central bankers said.



The Toyota Fuel Cell Hybrid Vehicle is seen at a preview at the New York International Auto Show recently.

**Samsung to set up major mobile phone plant in Vietnam**

AFP, Seoul

South Korea's Samsung Electronics will build a major mobile phone plant in Vietnam to expand its global market share, news reports said Friday.

The plant to be built in the northern province of Bac Ninh will initially have an annual production capacity of 30 million handsets, the Chosun Ilbo daily and Maeil Business News TV said.

A Samsung spokesperson declined to comment. "Investment of that scale, if any, should be made public through a public posting at the Korea Stock Exchange," she said.

According to the news reports, Samsung plans to expand the factory step by step to raise its annual production capacity there to 100 million units.

The investment would be in line with efforts to cut costs to raise price-competitiveness in global markets and meet fast-growing demand in Southeast Asia.

**AGRICULTURE**

**Money lenders only hope for India's poor farmers**

REUTERS, Pandharkawda, India

Almost every farmer across India's arid cotton-bearing central plateau is a hostage, in one way or another, to a profitable mega-business of illegal moneylending.

Families have lost land, farmers have been asked to prostitute their wives to pay off debts and, when all else has failed, borrowers have killed themselves to end their misery.

An inescapable cycle of debt is fuelling one of the worst agrarian crises facing India, a crisis that has seen some 150,000 farmers commit suicide since 1997.

Yet the public image of menacing debt collectors does not entirely reflect the views of the region's three million farmers. The rapacious moneylender, who plugs the gaps in rural financial services, is also the man they can turn to in times of need.

Last month, India's government announced a \$15-billion loan waiver for small farmers borrowing from banks, but experts say the efficacy of the scheme in badly diluted because it leaves out those borrowing from moneylenders.

"Moneylenders are now an inextricable part of the rural economy," said S Parasuraman of the Tata Institute of Social Sciences. "So much so the bank has become secondary, or even redundant, for a small farmer."

Moneylenders have been around for generations, but their business has boomed ever since India's economic priorities shifted, with globalisation, from agriculture to industry. The arrival of high-cost seeds and pesticides has added to the debts.

Indeed, one or two crop failures, a sudden health expense or a marriage in the family have become that much more perilous in a livelihood where the risks are already high.

Officially, almost half of India's nearly 100 million farming families are in debt. Of these borrowings, almost 30 percent are said to be in debt to private moneylenders, although farmers' lobby groups say the ratio is many times higher.

Prakash Uike grows soybeans and works as a labourer in a nearby town



File photo shows farmers greet Indian Prime Minister Manmohan Singh (C) and Congress Party President and UPA Chairperson Sonia Gandhi (L) in New Delhi on February 25, 2008.

two days a week to pay moneylenders who gave him \$200 two years ago. At \$25 every two months Uike's loan should have been covered, but by some wily calculations of the loan-shark he continues to be in debt.

"I have had to mortgage my land to him," said Uike, an emaciated man who looked older than his 47 years. "But at least he has given me a loan."

Virtually every cotton farmer in these parts, for instance, needs the assistance for someone like Yakub, a veteran moneylender who gave only one name. Typically, he charges 30-40 percent interest on a four-month loan.

He collects his dues at harvest time, but exacts an extra premium, compelling farmers

to sell their cotton to him at a price lower than it fetches on the market, pocketing the profit.

As collateral, the borrower signs away his land title that gives Yakub the right to collect the property at any time.

Most deals are illegal because the moneylenders don't have licences, a crime punishable with a \$25 fine. Usurpation of property invites three months in jail, but convictions are rare.

Farming distress has attracted a new breed of moneylenders. Anyone with some disposable money -- from shopkeepers, government officials and policemen to village teachers -- lends in the hope of making a killing.

In this dusty town, about an hour's flight from Mumbai,

India's financial capital, almost every shopkeeper lends at a premium.

Their names are known to everyone in town, though few are willing to point them out for fear of reprisals.

But rural credit and indebtedness is far from being a simplistic usurious lender-farmer spiral.

Even though farming supports 60 percent of India's 1.1 billion people, it contributes only a fifth of gross domestic product and accounts for only around 15 percent of bank credit.

Marginal farmers hardly get formal credit because they almost never have any collateral. Other farmers are often underfinanced by banks, forcing them to turn to private lenders whose usurious inter-

est rates bind them to a never-ending cycle of debt.

"I have nothing left to mortgage to banks, so they will not give me credit," Uike said. "Where can I go then?"

In fact, bank interest rates are high as well, especially for rural borrowers.

At interest rates ranging 13-14 percent for a crop loan, it is cheaper to borrow to buy a small car than to purchase seeds. Sometimes farmers have to bribe bank officials for a loan.

Predatory lenders are only part of the problem. Healthcare and education costs have risen dramatically in the past few years, while income from cotton has slumped.

And then there is the growing obsession with the luxury goods that now consume

much of the farmers' incomes. Television has given even the poorest a glimpse at the world outside.

"People get upset if I tell them to curb the tendency to borrow unwisely," said Kishor Tiwari, a farming activist. "The propensity is to go with the flow, the pocket permitting or not."

Two years ago, a senior local government minister advised people to "skin alive" moneylenders. No one responded.

**Correction**

In Thursday's newspaper we inadvertently transposed the name of our columnist. The column was written by Asif Anwar, an investment adviser and a lecturer at the School of Business, IUB.

**COLUMN**

**SARWAR AHMED**

**The law of entropy**

I was mystified with the word entropy. The dictionary says it is a measure of the disorder that exists in a system. And the law has something to do with thermodynamics. With a lot of scratching my head, my understanding of the law to me, means, what does not grow, decays. In Newtonian words, what doesn't go up, comes down.

What has the law to do with business? Lots! A business is organic, it grows and if not nurtured can decay and die. Therefore to sustain growth, we need 'energy' in the form of money, brains and brawn. How efficiently we use this energy to maintain and grow the business is what the law is about. If we do not put enough energy in, the law says, we will see dissipation, disorder and decay. Simple and makes sense,

doesn't it. And it is scary.

As you walk down the corridor of your office, do you see a carelessly tossed piece of paper on the floor? If you don't pick up this piece of rubbish, there will be two tomorrow. This is the law at work. Decay has set in. And this decay is just not physical it can be mental. Put your guard down, decay will set in. This is the law. What does this mean for your business?

Everything we do needs energy. We do not realize this, as it seems so obvious and superfluous. Within any business we have processes for instance, order to cash, purchase to pay, accounts to reports. Each of these processes have a flow input, process, output. We need energy to process the input to the output. Therefore, the process will determine the kind of

energy we need to convert the input into output.

The more sophisticated and complex the process, the more 'energy' we will need people, equipment etc. and the inherent risk of the law of entropy you will need constant energy to maintain the system otherwise it will decay. This means we need to ensure our processes are as simple as possible and that they need as little 'energy' as possible to maintain.

For further clarity, let us look at the order to cash cycle. Our salesman collects the order, sends it to our office. We process the order by picking the basket of goods and completing the paperwork. This is dispatched to the customer who pays the bill. The cash is received, put in the bank, and the accounting paperwork is

stamped and stacked away.

How is this done? There are large turnover companies even today who go through this process in a simple way without sophisticated equipment it's the same old paper forms and registers. At the other end of the spectrum, we have companies touting the latest technology IT enabled, tight controls etc.

Both do the same job but with different level of sophistication, response time and 'energy' consumption. For the latter, you need to be on your toes 24 x 7, to fire fight anything that may impede the system. One would need a lot of 'brain' energy too to maintain the system. As such, based on the Law of Entropy, any slack in 'energy' levels will be detrimental to business!

I have only talked about

maintenance - what about business growth? As you can see, we will need a lot more energy infusion to grow our business. This energy will be in the form of investments - in people, production, equipment, materials. We need to remember that growth is essential for sustainability of our business otherwise decay will set in. As such, businesses will need to focus on growth as an overarching priority.

We are quite familiar with our financial statements - income statement, balance sheet, cash flow. These are in fact the quantified translation of our available 'energy'. You can even shop around and make available the 'energy' you want. However our financial statements do not show the aspect of human energy - in terms of knowledge, experi-

ence and wisdom in running the business. Do we have the human energy to grow our business? I can assure you from the experience I have, it takes enormous efforts to build up your human capacities to a point where you will feel comfortable in running your business.

And how does the law impact you, personally? Are you nourishing your brain everyday with fresh knowledge? Are you using your creativity? Or are you whittling away your knowledge and skills learnt in the yesterday? Be careful - the law of entropy will catch up fast and drown you in senility if you do not spend energy to constantly renew yourself.

Sarwar Ahmed, managing director of Syngenta Bangladesh Ltd