

International Business News



France's Economy Minister Christine Lagarde gestures as she looks at clothes at the Printemps department store in Paris yesterday on the first day of the 2010 summer sales. The sales period will take place nationwide until August 3, 2010.

China's AgBank launches world-record IPO

AFP, Hong Kong  
Agricultural Bank of China on Wednesday kicked off a share offer worth a world-record 23.2 billion dollars as China strives to develop depressed regions in the rural lender's heartland.

AgBank, the last of China's "big four" state banks to list, plans to float its shares in Hong Kong and Shanghai next month with the monster IPO on track to overtake the previous record of 22 billion dollars set by Industrial and Commercial Bank of China in 2006.

The initial public offering has already won bedrock support from heavyweight investors -- including Qatar's sovereign wealth fund, US food giant Archer Daniels Midland and British bank Standard Chartered.

"Agricultural Bank of China is a great bank with a great future," Standard Chartered Group chief executive Peter Sands said in a statement Wednesday, confirming a 500-million-dollar investment in the share flotation.

As small-time retail investors got their first chance to grab a piece of the action, queues built outside bank branches in Hong Kong where the AgBank prospectus was being handed out.

Facebook, Twitter powerful business tools

AFP, Singapore  
Social media such as Facebook and Twitter or blogging sites have become powerful tools that influence what people buy, online researcher Nielsen said Wednesday, urging business to embrace the trend.

Nearly three in four people worldwide who use the Internet have visited a social networking or blog, spending an average of almost six hours a month on them, The Nielsen Company said in a report.

Of the seven biggest brands online globally, three are social media networking sites -- Facebook, Wikipedia and YouTube -- it said in its latest report on social media trends in the Asia Pacific region.

"Social media is having a larger and larger influence on purchasing decisions," said Charles Buchwalter, chairman and chief executive of Nielsen Online Japan.

"Everyone understands that social media is hot, it's growing quickly and in very unpredictable ways everywhere in the world," he told reporters in an online media briefing.

According to Nielsen's findings, online product reviews are the third most trusted source of information when consumers decide whether to purchase a product, coming after recommendations from friends and family.

Nissan begins eco-car export from Thailand

AFP, Bangkok  
The Thai arm of Nissan Motor reaffirmed its commitment to production in the kingdom on Wednesday as it exported its first shipment of eco-cars to Japan.

Nissan chief Carlos Ghosn said at a ceremony in Bangkok that the export of 40 vehicles marked the start of Thailand's role as a strategic industrial base and export hub in the company's global network.

Thailand joins China, India and Mexico as a global production base for Nissan's new eco model, which will be sold in 160 markets.

Ghosn said Thailand's political difficulties would not affect Nissan's production plans after the recent anti-government rallies in Bangkok, which sparked outbreaks of violence that left 90 people dead, mostly civilians.

"As far as we know everything is on track," he said.

Peugeot, Mitsubishi in talks on electric vehicle project

AFP, Tokyo  
French auto-maker PSA Peugeot Citroen and Japan's Mitsubishi Motors said Wednesday they had launched a feasibility study on the development of powertrains for small commercial electric vehicles.

The study will include an analysis of batteries and their business viability, Mitsubishi said in a statement.

Earlier this year the companies scrapped an ambitious capital tie-up that would have created the world's sixth-largest auto alliance, amid reports of financial discord.

COLUMN

Changing lives through agriculture

SARWAR AHMED

Like an island, the conjoint villages of Bhaduria and Rongaon in Birganj, Dinajpur stand out because of their inhabitants, Santals, a pariah society in the midst of Bengalis. Because they rear and devour pork, Muslims shun them and since their religiosity is based on an ancient, animist form of Hinduism, the mainstream Hindus look down on them.

Fifty-five families of these villages eke a living by farming on their handkerchief size lands and live most of the time as farm labourers in neighbouring villages. With no hope for any future, the men-folk slavishly toil in the fields. Whatever money they make, they drink it off on homemade liquor, trying to drown their desperation, oblivious of the sufferings of their poverty stricken families. It was a vicious cycle of poverty, despondency and darkness.

Slightly over a year ago, under the auspices of Syngenta Foundation, we decided to intervene, not with charitable handouts but with agricultural knowledge, input and an annual crop cultivation plan. As we sat with the suspicious villagers under the open sky, we assured them we were not there to give out money and charge them high interest like microcredit lenders. We wanted to give them a chance to improve their lives through agriculture. We would provide them agriculture knowledge and input at our risk. Any failure will be ours. With that kind of reassurance, we asked ten families to volunteer for the first phase of our intervention.

There was a look of disbelief. Fettered to poverty and shackled to hopelessness for all their lives, this offer was too good to be true. What was the catch? What were we up to? There was silence as the villagers looked around for the first brave soul to volunteer. You could hear the rustling leaves in the light breeze caressing the trees that afternoon in that momentous moment of silence. Like a well-beaten, tempered piece of iron, the slim, wiry 45-year-old village headman, Subol Kisku, raised his hand. His wife was also present, as we wanted this effort to be a family endeavour. Exuding the typical village shyness, Jaba Hembrhom stood up beside her husband. The pencil thin women folk of the villages bore the mark of hard work of rural life. A muted clap welcomed the first volunteer.

Any more volunteers? Hesitantly, other couples began to stand up. As the seventh family rose, I noticed a young Anamika Mardi prodding her unwilling husband, Sukol Soren, to stand. Eighth, and then the ninth family stood up. Out of desperation, Anamika took hold of her husband's hand, pulling him and stood up to be the tenth volunteer.

We explained to the ten families our plan of action. Can they spare a five decimal piece of land to begin with? What crops can we grow that will give them cash in the next three months? Five opted for tomatoes and the rest decided to go for green chillies.

We brought in successful farmer consultants for these crops from nearby



Subol Kisku, the headman of a village in Dinajpur, and his wife Jaba Hembrhom smile over successful crop cultivation.

Thakurgaon who showed the families hands on, the steps of successful crop cultivation -- from seedbed preparation to harvest, throughout the season.

The remaining villagers looked on with curiosity as the volunteer families plunged into a frenzy of hectic farming activities. As the seeds sprouted, you could feel the sense of delight in the families. The blooming thickset crops began to bear fruit and in the next couple of months, the harvest put disposable cash in the hands of these hapless social outcasts.

As we trudged through the following months with newer cash crops, Subol and Jaba, flushed with success, cultivated two bigas of their farmland with crops beyond our programme. In a follow up meeting with the villagers a year down the road, we reflected on our learning and experience.

Subol and Jaba had a sense of purpose in their lives. They could now afford to send their 13-year-old son Shimon and 10-year-old daughter Shubarna to a residential school in Dinajpur. The eight-year-old Sumanto, their youngest son, goes to a local village school.

Subol also had a confession to make. To supplement his income prior to our intervention, he used to produce 'pagla-pani', the homemade liquor, knowing very well its harm to people and society. Now, with his enhanced agricultural income, he stopped producing it.

A social change was taking place. The usual sight of males drinking away their hopelessness had dwindled. The second phase saw fifteen more families joining our programme. The village was coming out of a deep slumber of poverty and seeing the light of prosperity. The proud farm families, basking in their newfound path to affluence, showed their hard work as we walked through their crop fields. Anamika was particularly brimming with pride as the two calves she bought with her earnings, nuzzled our palms.

With nearly thirty years in an agriculture related company, this last year of work with the Santals woke me up to the possibility of agriculture as a means to alleviating poverty.

The World Bank 2008 World Development Report on Agriculture for Development states: "Agricultural growth has special powers in reducing poverty. Cross-country estimates show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture. For China, aggregate growth originating in agriculture is estimated to have been 3.5 times more effective in reducing poverty than growth outside agriculture and for Latin America 2.7 times more. In Ghana, rural households accounted for a large share of a steep decline in poverty induced in part by agricultural growth."

Our one year intervention in the microcosm of the poorest shows that we can dra-

matically change lives for the better, bringing hope to people who live in despair. With two thirds of Bangladesh's population dependent on agriculture, technological as well as market interventions can change our economy.

In a column in The Daily Star, I had proposed a paradigm shift in our mindset regarding agriculture and its potential to unleash well-being.

The article led to an exchange of views with Professor Salim Rashid of the University of Illinois, USA. Along with Dr Zohrul Karim, an eminent agricultural scientist, he has been holding seminars in Bangladesh recently on our agricultural potential. He sums up by stating that Bangladesh can achieve and therefore should try for 10 percent growth in the agricultural sector. The critical drawbacks are our lack of vision, the fact that we are losing 1-2 percent of agricultural land even as our population grows towards 250 million, and the fear of food shortage that haunts our actions. All three are false fears.

If anything is holding us back, it is fear. If there is one hurdle that we need to clear, it is this fear factor, this paradigm shift in agriculture, which can totally change for a better and golden rural Bangladesh.

The writer is the managing director of Syngenta Bangladesh Ltd.

TELECOM

India's mobile market nightmare

REUTERS, Mumbai/new Delhi

If India's cellular revolution is a boon to consumers, it has become a nightmare for the operators that is likely to get worse before it gets better.

Consolidation in the 15-player market, which is the world's second-largest with more than 600 million users and growing by 16 million a month, looks at least a year away unless rules change.

Just-completed auctions for 3G and broadband airwaves cost far more than expected. They also reintroduced an unpredictable 900-pound gorilla to the market in Mukesh Ambani's Reliance Industries, India's biggest listed firm, which bought the only company to win countrywide broadband wireless spectrum.

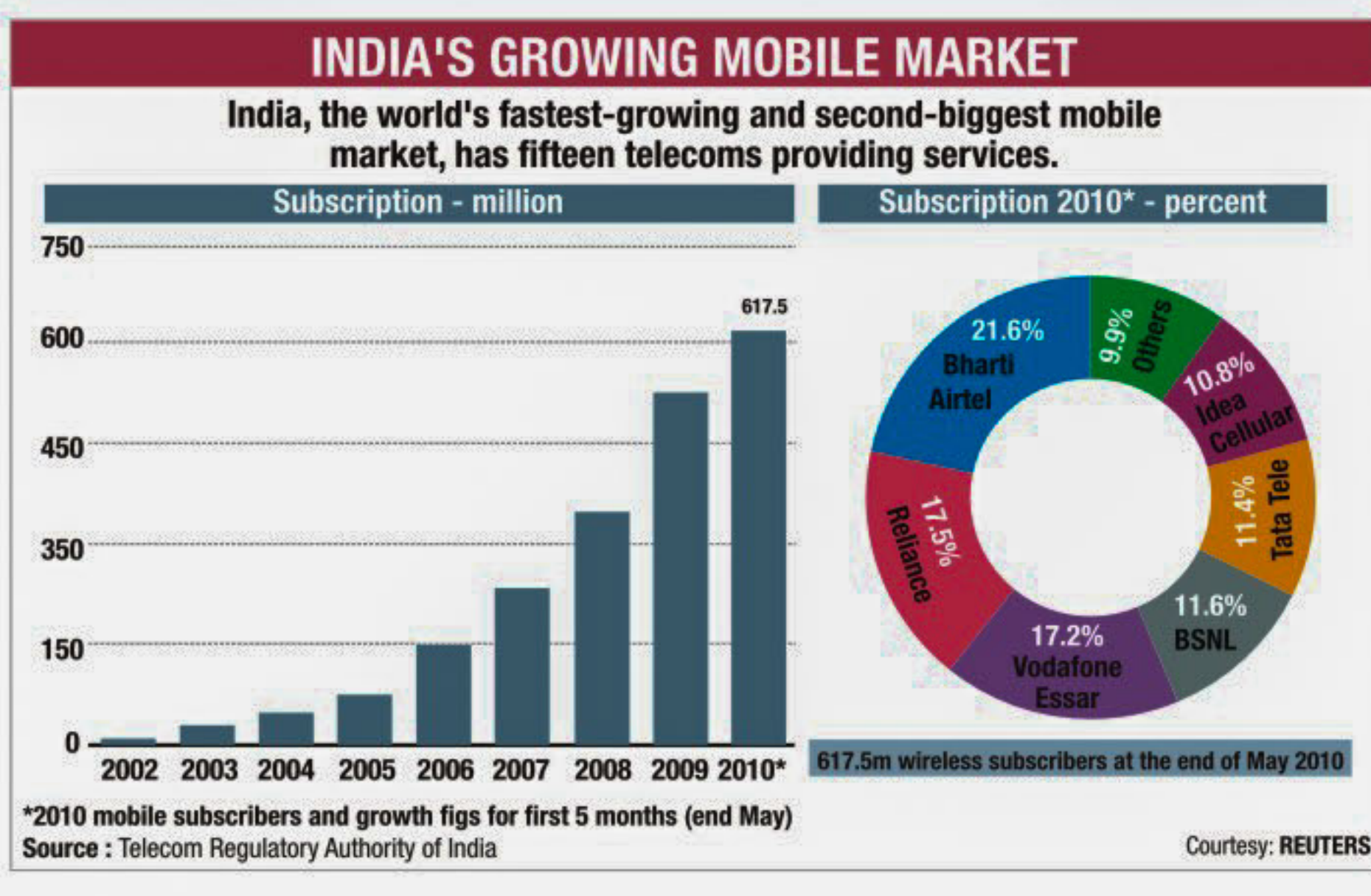
With newer entrants backed by foreign players such as Telenor, Sistema and Etisalat ramping up service, rock-bottom tariffs continue to fall, to the detriment of market leaders Bharti Airtel, Reliance Communications and Vodafone's Indian unit.

"With 12 players in the circle it would be too bullish to expect that 12 players will behave rationally," said Vsevolod Rozanov, president and CEO of Sistema Shyam Teleservices, the Russian firm's Indian subsidiary, whose ongoing rollout will be bolstered by a \$600 million investment by the Russian government.

"Of course price erosion will continue," he said.

The stress is showing, and not just on investors who have seen share prices fall by more than half from peaks for Bharti and Idea Cellular, and 76 percent for Reliance Comm.

"If anything, a lot of these telecom operators may get in some source of funding overseas and their ability to compete in the near term only increases rather than decreases," said Prateek Agrawal, head of equities at Bharti Axa Mutual Fund in Mumbai.



additional 2G spectrum based on 3G prices. Vodafone, India's largest foreign investor, booked a 2.3 billion pound (\$3.5 billion) charge against its India business.

Bharti, 32 percent owned by Singapore Telecommunications, reported its first quarterly profit drop in three years and is hedging its India exposure with its recent \$9 billion purchase of Zain's Africa operations.

Consolidation would improve the landscape for carriers, but rules prohibit them from selling out within three years of receiving licenses, which means the class of 2008 must stay in the game at least until next year. Eventually, industry watchers expect the sector to be culled to six or seven players.

Reliance Comm is selling its tower arm in a deal that will cut its debt by more than half but is still trying to unload a 26 percent stake to a wary global market. Only Etisalat of Abu Dhabi has expressed interest. Other would-be investors -- MTN, AT&T and Vivendi -- have shot down reports based on unnamed sources saying they were talking to Reliance Comm.

This should have been a golden age for carriers in an Indian market where mobile penetration only recently crossed 50 per-

cent and lags only China by number of mobile users.

A key difference: China has just three operators.

The problem for Indian carriers is regulatory, some argue: India allowed too many players when it issued more licences in 2008 to newcomers who in turn sold stakes to foreign players.

Auctions for 3G and broadband spectrum that netted the government \$21.6 billion may have made the situation worse by adding to costs and bringing in more players. Carriers who sought pan-India 3G coverage were thwarted by the high cost.

So far, operators have managed to find capital, with local banks stumping up funding for 3G licences. Carriers and their investors hope that with increased use of data services and rising incomes, operators will some day earn far more per user in a market with call rates now as low as 0.4 US cents a minute.

Bharti, Reliance Comm, Idea and Vodafone Essar saw combined average revenue per user (ARPU) fall 30 percent to 185 rupees (\$4) a month in the March quarter from a year earlier, according to Nomura.

China Mobile, the dominant player in its market, generated ARPU of 70 yuan (\$10.30) in the same quarter.

Seth Freeman, CEO of EM Capital Management in California, said investors need a long time horizon. "The phone companies are actually a giant distribution channel for products and services, and generate revenue from products and services that they have not really begun exploiting yet," he said.

Less clear is the effect broadband wireless technology will have on competition, including for voice service. In a country where broadband penetration is below one line per 100 people, the potential is vast. China, by comparison, has 130 million broadband connections, or roughly 10 percent of its population.

U.S. chipmaker Qualcomm Inc was among those winning broadband spectrum in India, making a bet on the prospects for long-term evolution (LTE) technology in the country.

"You clearly will see over the next two years the wireless data business come into a lot more prominence," said Macquarie analyst Shubham Majumder. "A lot of incremental valuations will be driven by how data uptake is happening for the large incumbent telcos," he said.

The return to telecoms of Mukesh Ambani, the world's fourth-richest man, is the wild card. His Reliance Industries (RIL) conglomerate was free to return to telecoms after he and his long-estranged brother, Anil, ended a pact last month that forbade them from competing on the other's turf.

Anil Ambani controls Reliance Comm, after the two brothers split up the family business empire five years ago.

"Given RIL's access to cash, its prior experience in the Indian telecoms sector and ability to navigate the minefield of Indian regulations, we believe the company could significantly disrupt the Indian wireless space," Credit Suisse analysts wrote.

That's the last thing incumbent operators want to hear.