

What does “finance” mean to me? Stories from 12 people around the world.

1. My name is Ruth Fe Salditos. I run the Panay Fair Trade Center in Panay, the Philippines.¹ We buy sugar and bananas from farmer cooperatives, process the bananas into chips, mill and package the sugar, and sell these products to fair trade marketers in Europe. For me, finance represents the trust and long-term interest that our customers have in our products and our development. Our business was launched with financing from fair trade marketers and the Italian province of Bolzano. We were self-sufficient financially within five years. But our customers are always ready to provide affordable credit so that we can continue doing business from one year to the next. The wholesalers we sell to provide low-interest or interest-free advances and full payment on shipping. And sometimes we get even more help, like when Bolzano gave us a loan to buy a better sugar-processing machine. Our quality went up and we were able to sell more sugar and make more money. Financing has also helped the sugar and banana farmers transition to organic practices. That makes our products sell for more money too.
2. I am Luis Arnal, the Bolivian vice-minister for public investment and external finance. We have had a lot of trouble with finance in my country.² During the 1970s we had some military governments that racked up a lot of debt and mismanaged the money, so that later on our country was not only still poor and undeveloped, but also we owed huge amounts of money. Since we were not able to pay it back, the value of the debt grew. We stopped making payments back to commercial banks from 1984 to 1988, but we were careful to keep paying the IMF and World Bank, because those are our lenders of last resort. By the late 1980s, Bolivia had accrued one of the highest per capita debts in Latin America. Our treasury very nearly ran out of money altogether, so we had to renegotiate our debts and payments. Some of our creditors accepted lower payments, lower interest rates, longer grace periods, and extended repayment schedules. Because of all these efforts we were the only country in Latin America that didn't send more capital out than came in during the debt crisis of the early 1980s. And now we are getting even more debt relief from the IMF and World Bank. But I'll tell you—the offer by Roberto Suárez Gómez, our very own “King of Cocaine,” to pay off our country's multibillion-dollar debt in the early 1980s to avoid extradition, sure was tempting!
3. My name is Nurjahan, and finance is very important to me. I am a borrower of the Grameen Bank in Bangladesh.³ I was abandoned as a baby and raised by a neighbor. Then I was married when I was twelve, but my husband abandoned me a year later, while I was three months pregnant. Before I joined Grameen, I had never earned more than \$37.50 in a year, and I owned no land. About five years ago I joined a group of women borrowers. Since I had no land, the other women pledged that if I did not pay back my loan, they would pay it. And they made sure that I did pay it back! With the money from my first loan, I bought a goat, and I sold her milk. Now my annual income is \$250 (just above the national average) and I own two goats, one pregnant cow, ten hens, and two-thirds of an acre of land. The land cost \$1,000, more than four times my average annual income, but with a loan, I was able to buy it. I am even able to employ two seasonal farm-hands to help me with the rice crop. I am most proud that in a country where less than half of the children get as far as fifth grade, my son is now in 8th grade.

4. My name is Sirivat Voravetvuthikun.⁴ I am a businessman in Thailand, but my business has changed a lot over the years. I have a degree in finance from the University of Texas in Austin. In the early 1990s, business was booming in Bangkok, especially real estate—everyone was building high-rises, you would see hundreds of cranes if you looked over the horizon. I became a real-estate developer. Businesses could get foreign loans at half the interest rate of local loans—7 to 8 percent instead of 15 percent. Nobody worried about our currency, the baht, depreciating. It was fixed at 26 baht to the dollar. I myself had not been able to borrow overseas because my credit was not good, so I borrowed domestically. I was paying 17 percent interest rate per year. But it was easy to get credit, our economy was growing at 12 percent a year, only behind China's, and people were investing a lot in the stock market too, making loads of money. I was a millionaire. Well, it all fell to pieces when the real estate bubble burst and the baht had to devalue in 1997. A lot of companies went broke because they couldn't pay their foreign loans anymore. And then the local banks went broke, because so many of their customers were broke. We had huge unemployment all of a sudden. And me—I started selling sandwiches on the street to pay my remaining employees. Today my big dream is to be the McDonald's of Thailand with my special sushi sandwiches.
5. My name is Xiang Guihong, and I am a sales manager at Zhejiang New Oriental Fastener Company.⁵ We produce screws, nuts and bolts by the millions for the Australian and North American markets. I never used to worry much about finance. We used to trust that our customers would pay, but with the current credit crisis, we have begun to buy credit insurance for all of our orders to protect ourselves against defaults. We used to allow our clients to wait as long as 60 days to pay, but now we require US clients to pay for the goods within seven to 10 days after delivery. Our suppliers, steelmakers and steel trading firms, only accept cash for payments. Our working capital is so tight that if we had a large amount of account receivables, we'd run out of money needed to buy raw materials for new orders.
6. I am the president of the World Bank, Robert B. Zoellick.⁶ From where I sit, I see that developing countries are facing a "perfect storm," with a convergence of slowing world growth, a withdrawal of equity and lending from the private sector, and higher interest rates. Investment, the main driver of developing country growth over the past five years, will be hard hit by the financial crisis, and remittances from developing country migrants—a powerful poverty reduction mechanism—will likely decline in line with the global slowdown. Given all this, I am especially annoyed that donor countries are not meeting their commitments to debt relief and scaled-up aid. We're falling short \$40 billion in official development assistance, including about \$30 billion from the G7, the world's seven richest economies. And that's just to officially cancel debt that, let's face it, isn't going to get repaid anyway. On the plus side, donors pledged \$25.2 billion to our most recent 3-year replenishment of funds to lend to the poorest countries—we'll use that to make really soft loans with little or no interest charge and repayments stretched for the most part over 40 years, including a 10-year grace period. But can you believe that over a third of that development assistance money comes with the condition that it'll be used to pay contractors in or buy supplies from the donor countries? And for development assistance to the less-poor countries, well over half is tied to hiring donor-country contractors. Charity is its own reward, indeed.

7. My name is Antonia Delgado.⁷ I live in Cape Verde. I'm 79 years old. I used to live in a shanty made of used oil drums. But thanks to the money my son sent from the Netherlands, I have a block home with four rooms, electric lights and indoor plumbing. Still, I'm worried, because I haven't gotten a phone call from my son in five years. He could be dead! Now I'm relying on money sent by my granddaughter Fatima. She's working as a nanny taking care of somebody's child in Portugal. I get \$135 a month from Fatima—but I'm the one raising her son, Steven. We Cape Verdeans get a lot from the remittances that our migrants send home, but it's hard to tell if we are really much better off. I worry that Steven will not get a job here—the unemployment rate is 20 percent—and even if he does it will be a dead-end, low-wage job in tourism. Without a strong economy to keep him here, he will leave or spend his time dreaming about leaving, like everyone else on our little islands.
8. My name is George Soros.⁸ I'm a hedge fund manager, philanthropist, and writer. I'm supposed to be in retirement—I'm 77. But somebody has to pay attention to what's going on. I'm good at that. In 1992, my firm, Soros Fund Management, famously bet against the British pound and helped force the British government to devalue the currency—and we made a fortune. Five years later, I correctly bet that Thailand would be forced to devalue its currency, the baht. Of course, no single investor can move a currency. Markets move currencies, so therefore I take no responsibility for what happened to those currencies. I just saw what was happening. More recently, in the summer of 2007, I began to feel that the American economy was headed for recession. I met with hedge fund managers who were predicting a crisis in the housing market, and took on new positions to hedge where my portfolio managers might have gone wrong. My last-minute strategies contributed to a 32 percent return—or roughly \$4 billion for the year. On average, after management fees, my fund has returned 30.5 percent a year from 1969 to 2000. But I'm really worried about what's going on in the world economy right now. I feel like this is a quarter-century-old bubble bursting, and the pain is going to last for long while.
9. My name is Dawood Ibrahim.⁹ I am the head of the organized crime syndicate D-Company in Mumbai, India. I am India's most wanted criminal for allegedly organizing and financing the 1993 bombings in Bombay that killed 250 people, and maybe the recent November, 2008 attacks in Mumbai as well. In 2003 the U.S. declared me a "global terrorist" because of close links with al-Qaida's Osama bin Laden. I may control much of the 'hawala' system, a very commonly used unofficial system for transferring money and remittances. Also, as a drug smuggler whose network is involved in large-scale shipments of narcotics from South Asia, the Middle East and Africa to the U.K. and Western Europe, I am able to share these routes with bin Laden and his terrorist network. We have brokered a financial arrangement to facilitate al-Qaida's usage. And that's helped them continue to finance their organization, despite having \$11.324 million of their assets blocked. Although you don't really need that much money to finance an attack—the commuter train bombings in Madrid in 2004 killed 191 people but only cost \$10,000 to carry out.
10. My name is Ravi Goel.¹⁰ I'm an eye surgeon in Cherry Hill, NJ, and my medical career has been largely shaped by financial considerations. I racked up \$18,000 in debt getting my undergraduate degree from Yale in 1993. For medical school, I opted for New Jersey's Robert Wood Johnson program because its \$14,000 annual tuition was 45% below what private medical schools cost. But I still added another \$87,000 in debt during medical school. Then came four years of residency, when I earned \$35,000 annually. To get by I deferred loan payments. Interest compounded. By the time I completed ophthalmology training in 2001 (8 years after completing my undergrad degree), my debt had ballooned to \$130,000. I was fearful of spending my whole life in debt, so I went straight into practice rather than pursuing a research fellowship. I consolidated my debt and locked in \$105,000

in federal loans at 5.6% over 30 years. I'm paying off another \$15,000 in Sallie Mae loans over 10 years at a floating rate (currently 4.3%). The remaining \$10,000 is split between a rate of 2% from a Florida foundation and 8% from the Medical Society of New Jersey. I'm 37 years old now, and I make around \$200,000 a year (before income taxes). I pay \$12,000 of it (\$1,000 a month) to lenders. I'm lucky I chose ophthalmology. With debt numbers like these, it would be crazy to try to become a primary care physician.

11. I am Sheikh Ahmed bin Zayed al Nahyan, managing director of the Abu Dhabi Investment Authority, the biggest sovereign wealth fund in the world.¹¹ We control a portfolio of about \$875 billion. Our money comes from the oil pumped by the Abu Dhabi National Oil Company (ADNOC) and its subsidiaries. We were getting a lot of money when oil was \$120 a barrel, but even now there is much more money coming in than we could prudently or profitably invest in our own country. We want to make investments that safeguard our prosperity well into the future. Since its official inception in 1976, ADIA has returned about 10% a year. Even though the government—that is, my family—controls the fund, about three-quarters of its assets are administered by external managers (including around 60% that is passively managed through tracking indexed funds). That said, we still make exciting and noteworthy deals. We were criticized for pouring \$7.5 billion into buying a 4.9% stake in Citigroup in November 2007. It's true that their share price has plunged since then, but we take the long view. The short term for us is three to five years forward, so we find the American market very attractive during this downturn. And for the most part we are very good at allocating our investments in line with the real prospects for global economic growth. And that's as much as you need to know.
12. My name is Richard Sandor.¹² I'm the founder, Chairman and CEO of the Chicago Climate Exchange (CCX), the world's first and North America's only active voluntary, legally binding integrated trading system to reduce emissions of all six major greenhouse gases with offset projects worldwide. TIME Magazine named me Hero of the Planet in 2002 for founding CCX, and then Hero of the Environment in 2007 for being the "father of carbon trading." How does it work? CCX emitting members make a voluntary but legally binding commitment to meet annual greenhouse gas emission reduction targets. Those who reduce below the targets have surplus allowances to sell or bank; those who emit above the targets comply by purchasing our CCX Carbon Financial Instrument contracts. Each of these CFI contracts represents 100 metric tons of CO₂-equivalent. Members get some CFI contracts as allowances representing their emission baseline, reduced annually by 1 or 1.5%. Other CFI contracts represent Exchange Offsets, generated by qualifying offset projects around the world. Reductions achieved through CCX are the only reductions made in North America through a legally binding compliance regime, providing independent, third party verification by the Financial Industry Regulatory Authority. The same thinking that applied to my inventing the financial futures market back in the 1970s underpins my approach to climate change. Back then, you had to price money, and now you have to price clean air. These are both scarce commodities. My next big idea is to explore trading in another scarce commodity: water.

Endnotes

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⁴ http://www.pbs.org/wgbh/commandingheights/shared/pdf/int_sirivatvoravetvuthikun.pdf

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