

## US concern over state of human rights

Authorities should act of own volition

ALL is not well for the government, especially in light of the less than flattering human rights scenario that has been presented in the US Congress with regards to Bangladesh, particularly the readymade garment (RMG) sector, on Thursday. This stems from the fact that a group of leading foreign buyers had met in Dhaka to discuss the deteriorating situation in the RMG sector and had sent two separate letters to the prime minister to express their concerns. As the sector represents 80 per cent of the country's annual exports, any disruption here would cause serious worries for the economy. Hence, when a dismal picture of a deteriorating labour rights scenario was presented to US lawmakers by Eric R. Biel, Acting Assistant Deputy Undersecretary to the Department of Labour's Bureau of International Labour Affairs, there is reason for concern as such news have the potential to impact our RMG export adversely.

What brought matters to the fore was the killing of a labour leader and the fact that fingers were pointed at RAB. This has certainly not helped matters. The issue of extra-judicial killings by RAB and disappearance of political opposition figures, as highlighted by US's Robert O Blake, Jr. Assistant Secretary, Bureau of South Asian Affairs in the same congressional hearing, coupled with lack of progress in investigation of the murdered union leader have put a dark spot on the country's image. The apparent government inaction on issues of concern by foreign buyers is not helping matters. This paper has repeatedly highlighted the need for the State to recognise these as matters of grave concern and initiate a serious probe into these allegations. And it should be done without appearing to be doing so under duress.

There is no denying that rights of RMG workers are being infringed upon due to a lack of representation. It appears that the government has taken the issue light-heartedly. given the serious nature of the matter, we suggest the government engage itself with concerned US bodies, and at home, address the issues of labour rights and murder of the BCWS leader Aminul Islam with the seriousness that they deserve like any other responsible country that claims to have respect for rule of law.

## Unbearable prices

Helpless administration

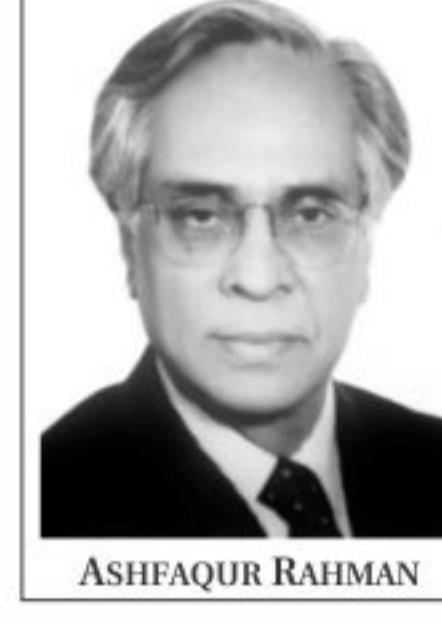
ALL the assurances of the commerce ministry and all the demonstrable actions of the administration to curb the rising prices of essentials, particularly of those that are in most demand during the month of Ramadan, it seems, have come to naught. And, unfortunately, it is the fixed and middle income groups that have to bear the brunt of the strain.

The prices of these items have literally taken a huge leap in a space of a less than a month leading up to Ramadan, as they do every year. But there are no explicable reasons for doing so, given that neither the prices of imported items have gone up in the international market, nor are there any shortages at home. That being so, we would want an answer as to why, as reported in newspapers, some of the imported items are selling at almost double the purchase price, and most items at more than fifty percent of cost price?

We fail to understand why the government is completely unable to stem the price spiral. Is there no mechanism to ensure that the government fiat on prices is followed? We are sorry to see that the TCB has not been as effective as it might be. We understand that the government trading agency is not expected to be a competitor of the private sector but it can at least intervene to influence the market.

Under the present situation the government cannot be seen to be inactive. Apart from getting the oversight mechanisms geared up, the commerce ministry must strengthen the TCB by giving it not only more funds but adequate infrastructure also. It is high time too that the government legislate something like monopolies and

## Big banks must behave



**H**ONG-KONG and Shanghai Banking Corporation (HSBC) is the second largest banking and financial services group in the world. It has over 7,200 offices in 85 countries and territories, and boasts of 89 million customers. Its total assets stand at \$2.6 trillion. Of this, half is in Europe. The remainder is located in the Americas and Asia.

This behemoth has a listing in the London Stock Exchange as well as secondary listings in Hong Kong Stock Exchange and the New York Stock Exchange. Its head office is in London.

Last week, a US Senate sub-committee released a report which gave some startling information about the activities of this bank. The Senate's permanent sub-committee on investigations in a 340 page damning report described a decade of compliance failures by this financial institution. It squarely condemned HSBC and its American affiliate HBUS for "poor anti money laundering controls" and "incident after incident of managers turning a blind eye" to such malfeasance.

The report stated that HBUS exposed the US financial system to illegal funds from Saudi Arabian terrorists, Mexican drug cartels and recalcitrant regimes in North Korea, and Iran. It played "fast and loose" with US banking rules" and exposed it to "drug money, suspicious travelers' cheques, bearer share corporations and rogue jurisdictions." HSBC is also accused of helping to slip in billions in Iranian funds past American regulators. The report mentioned that the HSBC US affiliate "offered services to Saudi Arabian and Bangladeshi banks that are known to have ties to terrorist funding." The Senate report blamed regulators at the US Office of the

Comptroller of the Currency for allowing this state of affairs and for ignoring red flags.

The two Bangladeshi banks that had been offered HBUS services were the Islami Bank of Bangladesh (IBBL) and the Social Islami Bank Ltd (SIBL). The report indicates that they may have used HBUS to fund illegal activities. Saudi Arabia's Al Rajhi Bank, which was reported earlier to have funded terrorist activities, holds 37% direct ownership stake at the IBBL. SIBL has partnership with a Saudi Arabian charity called the International Relief Organization (IRO), which is a US listed institution that is under suspicion as an organisation that funds terrorism.

Both Bangladeshi banks have publicly denied the allegations leveled against them in the report. SIBL has

the Bank of the West, did not do well. They performed below the level that would indicate a strong corporate reputation.

This survey, however, was conducted before J P Morgan Chase made a trading loss of \$5.8 billion. It was also made before Moody's downgraded the credit ratings of 15 global banks and before Barclay's Bank in the UK admitted to manipulating a benchmark interest rate. The HSBC fiasco also took place after the *American Banker* survey.

So why do big banks behave so badly? This is because, as another survey found, professional financial practitioners associate success with cheating. Many of them find that their competitors succeed by bending or breaking the rules. They think that in order to be successful the rules need

***Profit and money are no doubt key motivators for the bad behaviour of big global banks. The professionals feel great pressure because they may lose their bonus or their enhanced pay if they do not achieve their profit targets. Any loss of financial incentives acts as a deterrent for good behaviour.***

also added that it was never involved in any money laundering or illegal transactions. The country's financial regulator, the Bangladesh Bank, has also dismissed the allegations of involvement of these two banks in the HSBC scandal of terrorism financing and money laundering. It said that "it was an old issue. The authority concerned took regulatory actions at that time. We are examining the US Senate report and we will take action if there is any current issue."

It is no surprise that big banks around the world have seen their status slide since the start of the recent financial crises. The *American Banker* magazine in a recent survey said that the ratings of 22 of 30 such large banks have fallen drastically. Even those who scored 70 on a 100 point scale, like the ING Direct and

to be broken. Besides, regulators do not scare them. Most of them know that those who oversee their activity are rarely effective.

Profit and money are no doubt key motivators for the bad behaviour of big global banks. The professionals feel great pressure because they may lose their bonus or their enhanced pay if they do not achieve their profit targets. Any loss of financial incentives acts as a deterrent for good behaviour. Another major cause behind the HSBC scandal of lax enforcement of anti money laundering safeguards is pure greed. It drove HSBC to ignore what the Senate Committee reported, billions of US dollars coming from drug traffickers, or to work with Arab or Middle Eastern banks with alleged links to terrorism. The result of such poor

behaviour led to these banks' "business and risk profile grow faster than its infrastructure!"

However, questions are also being asked whether pursuit of profit and constant quest for growth explain all the recent bank scandals. A professor from the Chicago Business School has created an index which measures financial trust. He says that there is a drop in ethical standards, and graduate schools that turn out banking professionals are partly to blame. Most of these schools encourage amorality by the way they teach ethics to MBA students. According to him, the solution should start from the classroom.

For the present, the Senate sub-committee has recommended a number of changes at HSBC's US bank, including higher scrutiny of HSBC's affiliates for money laundering risk, closing of accounts of banks linked to terror financing, and steps to ensure that the bank does not process transactions with prohibited entities such as terrorists, drug lords and rogue regimes. It also recommends overhauling controls and eliminating bearer share accounts.

We in Bangladesh should take a cue from these recommendations too. Our regulatory authority, Bangladesh Bank, must put in place strict oversight mechanisms to see that our banks are closely monitored and infractions checked. Compliance to the rules must be ensured at all costs. However, though the US Senate sub-committee refers to Iran, Cuba and North Korea as "rogue regimes," they are countries with whom we have diplomatic relations, which the US does not. So here we need to be circumspect. But, indeed, we cannot allow any financial or ethical wrongdoing by any country. Caution is therefore the name of the game.

A wise man had once said: "Better be wise by the misfortune of others than by your own." The HSBC fiasco should be looked at by us in that light.

The writer is a former Ambassador, and a regular

## EU interest in Asia

SHADA ISLAM

**P**ARTICIPANTS at Asia's top security conference in Cambodia last week may not have managed to resolve territorial disputes over the South China Sea but the meeting signalled the European Union's return to Asia as an active player and a very visible transatlantic commitment to work together to ensure peace and development in Asia.

The decision by Cathy Ashton, EU "high representative" on foreign and security policy, to attend the Asean Regional Forum (ARF) in Phnom Penh was a long time coming.

Having stayed away from the ARF for two consecutive years, Ashton came under strong pressure to attend this year's gathering from EU member states and also the US, which has long urged Europe to engage more strongly with Asia.

In Phnom Penh, Ashton and US Secretary of State Hillary Clinton vowed closer consultation on advancing regional security, development, wellbeing and prosperity in Asia. Optimistically, they also welcomed an active and constructive role for China in the Asia-Pacific region."

In fact, the US "pivot" towards Asia announced last year has resulted in a stronger EU interest in the region, with many policymakers admitting that Europe and Asia need to work more actively and forcefully together to tackle 21<sup>st</sup> century challenges. Certainly, the EU will never be a "Pacific power" and should have no ambition of becoming one. But neither can it remain passively on the side lines of developments in Asia.

In an interdependent, globalised world where no one nation, bloc or region can claim to lead the rest,

where security is about more than military spending and where nations are connected to each other by a dense web of trade and investments, Europe-Asia cooperation is the only option.

It's not about whether Europeans have the time, energy or interest in Asia or whether Asians think Europe is still relevant. It's about the economy and the challenge of ensuring sustained global growth. It's about dealing with climate change, pandemics, humanitarian disasters and poverty. It's also about preventing tensions and conflicts which can endanger global peace and security.

None of these challenges can be tackled by one nation or region on its own. Certainly US Secretary of State

For all their criticism of Europe -- and despite the eurozone crisis -- even the fiercest Asian commentators recognise that Asians can learn much from Europe. Asians have never liked European "arrogance" in lecturing and hectoring them on their perceived deficits and weaknesses. But they admire much that is European including European technology, products and culture. In order to keep growing, Asians need European markets and investments.

True, dealing with China, India and the Association of Southeast Asian Nations (Asean) is not easy. Political reform in China remains a distant dream, economic liberalisation is patchy and dissidence is met with repression. Indian democracy is

***The economic reality is simple: the EU is China's biggest and Asean's third-biggest trading partner. It is also the largest investor in Asean countries with an average of 20.6% of foreign direct investment over the past three years.***

Hillary Clinton has reassured Southeast Asian nations of America's renewed commitment to the region.

But, exhausted by two long-drawn wars and beset by shrill election-year domestic concerns, the US has made clear that it is no longer ready to play global policeman or global peace-maker.

Despite its growing economic clout, China has never laid claim to being an international leader and is unlikely to do so in the near future. Russia's global ambitions are not credible. India is not interested.

In contrast, whether they like it or not, Europeans are expected to think and act globally, stand up for certain key universal principles, to be generous and kind to victims and get tough with bullies.

messy and even as it claims "great power" status, millions of Indians live in dire poverty. Asean integration is slow, painful and incomplete and decision-making in the 10-nation bloc is often very complicated.

But the economic reality is simple: the EU is China's biggest and Asean's third-biggest trading partner. It is also the largest investor in Asean countries with an average of 20.6% of foreign direct investment over the past three years.

The EU has signed free-trade agreements with South Korea and is negotiating others with India, Singapore, Malaysia and Vietnam. The recent EU-Asean ministerial meeting in Brunei saw the adoption of an action plan aimed at further building ties

between the two regions.

In Cambodia, the EU is expected to finally sign the Asean Treaty of Amity and Cooperation which could pave the way for EU participation -- one day -- in the increasingly influential East Asia summit.

Without a hard military presence in Asia, the EU will never carry as much clout as the US. As they fret about China's territorial claims in the South China Seas, Vietnam and the Philippines need America's reassuring embrace. Certainly a crisis in the South China Sea would also be disastrous for EU trade with the region. As such, Ashton's presence at the Asean Regional Forum (ARF) is a good signal of EU interest and concern.

Europe can make other constructive contributions, especially since the basic premise of Asean security discussions is about building trust and confidence, preventive diplomacy and conflict resolution, issues that Europeans know a thing or two about. The ARF meeting in Cambodia also discussed disaster management -- another area of strong European expertise.

In November EU Council President Herman Van Rompuy and European Commission President José Manuel Barroso will be in Vientiane, Laos, for a summit with 19 leading Asian leaders. Barroso is also expected to attend the Bali Democracy Forum and make an official visit to Indonesia.

Last year's US "pivot" or renewed engagement with Asia has certainly prompted Europe to put some new life into its lacklustre relations with the region. The challenge now is to ensure Europe's sustained presence in Asia, in the interest of both regions.

The writer is Dawn's correspondent in Brussels.

© Dawn. All rights reserved. Reprinted by arrangement with Asia News Network.

## ❖ THIS DAY IN HISTORY ❖

July 22

838

Battle of Anzen: the Byzantine emperor Theophilos suffers a heavy defeat by the Abbasids.

1456

Ottoman Wars in Europe: Siege of Belgrade John Hunyadi, Regent of the Kingdom of Hungary, defeats Mehmet II of the Ottoman Empire.

1977

Chinese leader Deng Xiaoping is restored to power.

2002

Israel kills Salah Shahade, the Commander-in-Chief of Hamas's military arm, the Izz ad-Din al-Qassam Brigades.

2003

Members of 101st Airborne of the United States, aided by Special Forces, attack a compound in Iraq, killing Saddam Hussein's sons Uday and Qusay, along with Mustapha Hussein, Qusay's 14-year old son, and a bodyguard.

2011

Norway is the victim of twin terror attacks, the first being a bomb blast which targeted government buildings in central Oslo, the second being a massacre at a youth camp on the island of Utøya.