

The shocking death of innocents

A glaring example of bankrupt politics

THE gruesome incident in Sunday's BNP-Jamaat countrywide blockade which made media headlines and bloody footage was the brutal stabbing to death of 24-year-old Bishwajit Das by a bunch of hoodlums on a free rein. The young man, mistaken for an opposition supporter, was killed reportedly by a group of Bangladesh Chhatra League (BCL) activists in broad daylight. The visual media showed more than a few seconds' coverage of the unarmed man on his way to work, being beaten with sticks and iron rods and stabbed with sharp weapons, covered in blood and trying to escape, while people and presumably the police looked on as they so often do in the case of violence by pro-government activists. Another person died in a clash in Sirajganj.

Bishwajit has been identified as a passer-by, sadly a victim present at the wrong place and time. Even if he were a picket, the proper action to take would have been to hand him over to the police. Instead, anti-blockade activists decided to take the law into their own hands, deliberately and publicly executing him. Anyone could have been in his place, met one's brutal death in his stead.

The incident is yet another glaring example of our bankrupt politics where party leaders cannot get away by claiming that they have no rein over their members when they wreak havoc on the streets. They must bring them to book for their barbaric actions. If the party allows such examples to be set with impunity, it would be a clear prescription for self-destruction.

Our politics has degenerated into brutalising the innocents with the streets at the mercy of arms-wielding goons as the leaders and policemen wash their hands of all responsibility. And blaming each other has become the norm and an expedient get-away. We not only condemn but reject outright this inhuman form of what cannot even be called coarse politics. The facts are as clear as the barbarism on screen; those responsible must be held accountable for the death of Bishwajit Das and others like him.

Doha climate talks

Reparation for “loss and damage” not enough

ONE should welcome the fact that the Doha climate talks have ended on a somewhat positive note although not quite to the full satisfaction of the vulnerable countries. Countries at the receiving end of climate change will now get remunerated for the “loss and damage” they incur. That is the pledge that the rich nations have made to the vulnerable ones, something that has never in the past been included in an international legal document. But does that pledge go far enough to address the core problems imposed by climate change?

When it comes to climate change, compensation for the damage is just not enough. The pledge to the poorer nations must be extended to ensuring that the loss and damage are increasingly reduced to zero. And that can be possible only when the biggest emitters get on board the carbon-cut regime. Although there has not been any substantive new commitment to cut emissions, we welcome the decision of the EU, Australia and Norway and a few other developed countries that have undertaken to meet the target of cutting down on carbon emissions as per the Kyoto Protocol that run up to 2020.

However, there are a few questions that remain to be addressed. We wonder whether the pledge will have any weightage if it is not made legally binding. What the vulnerable countries demand is not aid but something legally obtainable from countries that continue to perpetrate harm on the vulnerable countries because of their unmitigated consumerist propensities. And aid remains the prerogative of the giver and not an obligation.

Equally importantly, we need pledges for more emission cuts and hopefully the new protocol, that will be signed in 2015 and become effective in 2020, will determine responsibility for emission and liability for com-



SYED MANSUR HASHIM

South China Sea is a vast area of approximately 1.4million square miles and home to vast untapped natural resources. Heightened tensions with China (PRC) and Asean nations and India over supremacy on the high seas beg the question; will the next conflict be fought over water, or more importantly, what lies beneath?

PRC has laid claim to vast areas from the Malacca Straits to the Strait of Taiwan, areas that are also claimed by neighbouring South East Asian nations like Vietnam and the Philippines, that has, in effect, sparked an arms race in the region. With Vietnam ordering 6 modern diesel-electric submarines and a number of major surface combatants from Russia, and India embarking on ambitious aircraft carrier and nuclear-powered submarine building programmes, the race is effectively on to build "blue water" naval capabilities. Yet, no nation in Asia can match China's shipbuilding capacity or capability in the near or mid-term.

As stated in a recent article in *The Diplomat*: "China's military shipyards now are surpassing Western European, Japanese, and Korean military shipbuilders in terms of both the types and numbers of ships they can build. If Beijing prioritises progress, China's military shipbuilding technical capabilities can likely become as good as Russia's are now by 2020 and will near

a current US shipbuilding technical proficiency levels by 2030. China is now mass producing at least six classes of modern diesel-electric submarines and surface warships." That is not all; analysts predict that China will have a substantial labour cost advantage over their counterparts in South Korea, Japan, and the US over the next five years or so. Were these predictions to come true, it would mean that the PRC could out-produce and outgun any nation in the South China Sea in the coming decade.

Getting back to the issue of natural resources, the US Energy Information Administration estimates untapped gas reserves to the tune of 2,000 trillion cubic feet. To put that in perspective, if tapped fully, this reserve could meet China's mammoth energy needs for four centuries based on 2011 consumption levels. With the PRC striving for self-sufficiency in energy, it becomes inherently clear as to why the "sleeping giant" has been so active in the area of power projection beyond its traditional territorial waters. According to Lin Boqiang, energy economist at Xiamen University: "China basically has no other choice because its resources are scarce, so in future China must head offshore. Once China gets started [in the deepwater South China Sea], exploration will really speed up."

Leaving aside the huge technical difficulties involved in actually extracting mineral resources from the deep blue sea of South China, the overlapping claims of Asean nations such as Malaysia, Singapore, Vietnam and Philippines, as stated before, have brought about a realignment of US and Indian foreign policy. With so many navies shadowing one another, a conflict cannot be ruled out. The latest announcement coming out of Beijing that it would "begin enforcing new rules starting January 1st, that will have Chinese naval patrols

escorting, or expelling, foreign ships from most of the South China Sea" is not going unchallenged, primarily because these new "rules" are in direct contravention to international law. With both the US and India going on record

to state these new boundaries are not going to be recognised and a regional arms race in the offing, precisely what does China have to gain from such bluster? While weaker nations may be coerced into coming to a settlement on off-shore exploration of resources, there is little PRC can do against countries like Japan, South Korea, India and the US. Leaving aside the international heavyweights, China ought not to count Vietnam out of the picture, which is turning into a favourite FDI destination and a nation that is not without

friends in the international stage, especially after its rapprochement with the US and its long-term traditional ally, Russia.

According to Leslie Hook of *Financial Times*, who wrote in an article recently, deepwater exploration forms a cornerstone of PRC's future energy security. Hook states: "In May, the state-owned company launched its first home-built deepwater rig, the 'Cnooc 981,' which enables Cnooc to carry out independent in-house exploration, without renting foreign rigs....Cnooc aims to produce 500 million barrels of oil equivalent a day from the deepwater South China Sea by 2020, up from nothing today."

Thus, with PRC projecting its newly revamped military capabilities in claiming ownership over what it feels to be rightfully Chinese resources, geopolitics in the region is set to undergo some fundamental transformations. The Achilles heel for the West is not PRC's military capabilities which can effectively be countered by a new, broader pan-pacific and Asian alliance. Rather it is China's overwhelming dominance in the economic arena and its economy that is host to hundreds of billions of dollars of foreign investment by Asean nations, Japan, Taiwan and others. Yet at the end of the day, any military conflict, no matter how "limited" in nature, will not be to anybody's advantage. Time has arrived for policy "doves" to take the lead over "hawks" and let diplomacy do its work in ironing out sharing of resources that transcend national boundaries.

The writer is Assistant Editor, *The Daily Star*.

MO CHAUDHURY

THE recent tragic incident of factory fire in Ashulia has elevated long and widely held concerns about workplace safety in the RMG sector of Bangladesh. The purpose of this commentary is to explore the risks of such fatal events and how best to manage those risks.

Ashulia-like factory fires belong to the class of low frequency and high severity (LF-HS) operational risk events like earthquakes, hurricanes and terrorist attacks that can cause severe loss of life and damage to physical assets. They do not occur that commonly, but the consequences are fatal if and when they occur. In contrast, events such as mechanical failures, power outages, and work related injuries for individual workers are more commonplace but the consequences are not as severe.

Businesses typically manage operational risk in two principal manners. First, an operational risk control system is established to lower the chances of these events occurring in the first place and to reduce their potential severity. An operational risk committee oversees this process of measuring the risk on an ongoing basis, instituting physical measures and managerial action plans and controls, and monitoring the readiness and effectiveness of the overall risk control system. Second, since LF-HS events may still take place, businesses also purchase operational risk insurance to withstand such losses. Additionally, they often allocate and maintain operational risk capital as a buffer. The operational risk insurance and capital are funded solely by the business, and are different from work related compensation plans that cover contingencies (like accidental death or dismemberment) that are more commonplace, limited to one or at most a few employees in any one such event, and the employees typically contribute to such a plan.

Let us now review the Ashulia factory fire (AFF) from the above operational risk management perspective.

With more than 110 lives lost, the AFF is clearly one of the highest

severity events in the worldwide RMG industry. According to Nilratan Halder (*Financial Express*, December 1, 2012), more than 200 people died over the last six years in Bangladesh and there were about 1,300 incidents in RMG factory fires. J. Ahmed and T. Hossain (Sri Lankan Journal of Management 14(1)) say that 263 people died in 9 RMG factory fires during 2001-2006. In contrast, factory fires are virtually non-existent in the RMG factories elsewhere including Vietnam and Nepal. Thus, the Bangladesh experience presents a lethal and uncommon combination



As the nation grapples with the tragedy in the garment factory, it is important that a comprehensive national operational risk control policy and an operational risk insurance/capital programme are put in place as promptly as possible.

of high frequency and high severity RMG factory fires. There is little doubt that this is primarily due to the lack of proper safety measures at the factories and the lax nature of enforcement of the mandatory safety standards by the government. In other words, prudent risk control, physical as well as managerial (RMG owners and related government agencies), is grossly inadequate.

While the nation and the families of the perished AFF workers grapple with the tragedy, the need for a national policy on operational risk control at RMG factories can hardly

be overemphasised. A national policy should start with creating a National Operational Risk Board (NORB) with representation from the Parliament, related government ministries/agencies, RMG owners, foreign RMG clients, the RMG workforce, and home and foreign experts on operational risk management.

In addition to revisiting and resetting the proper safety standards, the NORB should set up the requirements of a mandatory operational risk control system at each RMG firm as well as at each factory that should be externally audited

vices, and law enforcement.

While comprehensive and effective operational risk control is imperative in reducing the frequency and potential severity of factory fires, a fatal event like the AFF may still occur despite the best efforts. A principal concern in the aftermath of events like the AFF is adequate and immediate compensation for the families of the workers lost or injured. This purpose can be served well by the mandatory purchase of operational risk insurance and maintenance of a minimum amount of operational risk capital at the owner firms, both funded by the owner firm. To address moral hazard on the part of the owners, such operational risk insurance should have claim payout only to the families of workers (and not to the firm or its shareholders, creditors or clients) and the speedy disbursements of such funds should be overseen by the NORB.

To ensure compliance in this regard, forced reserving may be useful, whereby the Bangladesh Bank will withhold a sufficient amount of export revenue of an owner firm to pay for its operational risk insurance and to maintain the minimum operational risk capital. Since export revenues may be realised in creative ways, Bangladesh Bank should readily communicate to the NORB about any shortfall of required funds, and the NORB should then suspend the operations of a factory if the owner remains delinquent.

To conclude, as the nation grapples with the tragedy in the garment factory, it is important that a comprehensive national operational risk control policy and an operational risk insurance/capital programme are put in place as promptly as possible. This should lessen the exposure of the all important RMG sector to the high frequency high severity factory fires that continue to claim the lives of many workers, and could also materially hurt the vital export revenue due to client concerns about working conditions at the factories.

The writer is a Professor of Practice in Finance at McGill University, Montreal, Canada. Email: mo.chaudhury@mcgill.ca, E-mail: mochaudhury@gmail.com.

THIS DAY IN HISTORY

December 11

1946
The United Nations International Children's Emergency Fund (UNICEF) is established.

1948
The United Nations passes General Assembly Resolution 194, which established and defined the role of the United Nations Conciliation Commission as an organization to facilitate peace in the British Mandate for Palestine.

1971
Bangladesh Liberation War. Liberation of Hilli, Mymensingh, Kushtia and Noakhali. USS Enterprise is deployed by the USA in the Bay of Bengal to intimidate Indian Navy.

1994
First Chechen War: Russian President Boris Yeltsin orders Russian troops into Chechnya.

1997
The Kyoto Protocol opens for signature.

2001
The People's Republic of China joins the World Trade Organization.