Use rewards not punishments to help workers in Bangladesh

Bloomberg

THE US is about to reimpose tariffs on Bangladesh in response to the country's failure to improve safety in its factories. The European Union has threatened to follow the US's lead -- a move that would hit Bangladesh much harder. This punitive strategy is understandable, but there's a better way to advance a worthy cause.

More than 1,000 people died when a garment factory near Dhaka collapsed in April; a few months before, a factory fire killed more than 100. Safety standards in Bangladeshi factories are dire, and government efforts to effect improvements have been paltry.

Under the Generalised System of Preferences, a global programme that cuts or lowers tariffs on imports from developing countries, the US requires compliance with certain labour standards. Bangladesh has failed to meet them, trade officials in Washington say, and that's why tariffs are being restored.

The announcement is little more than a symbolic gesture because the US doesn't apply the GSP to many imports from Bangladesh in the first place. In 2012, the programme gave tariff-free access to just $35 million in imports, out of a total of almost $4.5 billion. After the suspension of trade preferences, nothing will change for garment imports: They already face tariffs.

That's not true of the EU. All imports from Bangladesh currently enter Europe duty-free under Europe's Everything But Arms initiative. At a meeting July 8, Bangladesh dodged the immediate prospect of losing those privileges by promising to strengthen labour rights and hire additional workplace inspectors. EU officials said the country could still lose its GSP treatment if improvements were insufficient. If it does, the blow will be serious.

STAR/FILE

A crane is being used to clear the rubble of the collapsed Rana Plaza in Savar on April 25.

So much the better, you might think. But if the goal is to advance the welfare of Bangladeshi workers, let's ask if there's a better way than threatening to destroy their jobs and collapse their economy.

There is: The US should sweeten the deal. As well as promising to restore limited GSP coverage if Bangladesh improves its safety record, the US should promise to apply GSP to all the country's exports -- as Europe has for years -- as long as there is measurable progress on safety.

Congress would have to go along, so this is no easy option politically. In fact, the entire GSP will expire automatically at the end of this month unless Congress finds time to renew it, as the US Chamber of Commerce and others are urging. Given the will, though, the US could be dangling an irresistible carrot in front of Bangladesh rather than just waving a flimsy stick. Meanwhile, the EU should refrain from withdrawing its duty-free access.

In addition, US companies should be doing more on their own account. The Accord on Fire and Building Safety in Bangladesh, which took effect July 8, binds 70 retailers to maintain or increase their current orders with their main Bangladeshi factories for the next two years -- provided the factories make safety improvements called for by independent inspectors. (The retailers agreed to pay prices that enable the producers to comply.) Many big EU companies, including Hennes & Mauritz AB, Inditex SA and Tesco Plc, have signed; with the exceptions of PVH Corp. and Abercrombie & Fitch Co., no US retailer has.

A group, including Wal-Mart Stores Inc. and Gap Inc, is drafting an alternative safety programme. If it contains the funding and enforcement mechanisms of the existing plan, it will be redundant. If it doesn't, it will be inadequate. A word of support for the accord from a high-level US government official -- say, Commerce Secretary Penny Pritzker -- could be helpful in nudging them to sign.

There's another reason, by the way, to favour the carrot over the stick: Duty-free access is good for American and European consumers. It makes things cheaper. And all countries gain from a bias to expand rather than reduce trade. Unions in rich countries sure don't see it that way -- and it's worth bearing in mind that the petition to deny Bangladesh and its US customers GSP benefits was first lodged by the AFL-CIO. Trade policy is always liable to be captured by groups that have an interest in restricting competition.

It's a tendency governments have an obligation to lean against; in this case, they can do it by preferring rewards to punishments.

GP launches telemedicine service in Jessore

Abdullah Mamun, *back from Jessore*

THE people of Jessore town do not have to make the journey to Dhaka to consult a specialist anymore as they can get access to primary health care services through the blessings of modern telemedicine.

Grameenphone has recently set up telemedicine instruments at the district's headquarters (DC office).

Telemedicine is the use of medical information exchanged from one site to another via electronic communication to improve a patient's clinical health status. It includes a growing variety of applications and services using two-way video, email, smartphones, wireless tools and other forms of telecommunications technology.

The service was launched on June 28 by the ICT ministry and Grameenphone. The operator arranged a visit to Jessore for journalists.

Professor Reza Bin Zaib, a skin specialist, said, "I do not face any problems in the telemedicine process. It seems like I am talking to the patients face to face."

He was communicating with patients in Jessore through the audio-visual facility of the telemedicine setup. Zaib has been engaged with telemedicine for the last couple of years and treated at least 2,000 patients.

All the initial information including blood pressure, weight, pulse and heartbeat can be sent to the specialist through the machine. Other reports such as x-ray plates also can be scanned.

Zaib, who is also the chairman of Telemedicine Working Group of Bangladesh (TWGBD), said the main challenge is a lack of awareness among patients that it is possible to treat illnesses through telemedicine.

Dr Arkanul Islam, CSR specialist of Grameenphone, said a prescription is sent to Jessore after a consultation to be printed for the patient.

The patient's history will always be stored in the system for future reference, he added.

He said Grameenphone piloted a telemedicine project in February with three centres that have successfully treated 2,000 skin disease patients so far.

"Initially, the operator offered telemedicine to treat skin diseases only. But this time, the initiative will be done on a larger scale to treat maternal health, child care and other general diseases," he said.

Patients will have to pay Tk 200 as consultation fees to the entrepreneur of the centre, while a part of the amount will be distributed to the specialist and the technical support provider firm TWGBD.

The ICT ministry will ensure a 1 megabit per second internet bandwidth at the union information and service centres (UISCs) to support videoconferencing between the consultants and patients.

The UISC entrepreneurs would be trained to operate the equipment, he said.

So far, 20 rural sites have been identified for the telemedicine centres.

Recently, an agreement has been signed between Grameenphone and the ICT ministry to convert the union information centres to telemedicine centres.

Fifteen centres would be converted and the entrepreneurs will be trained to assist the consultants as telemedicine assistants.

GP

A patient takes part in an online consultation at a telemedicine centre.

Brussels unveils next building block in banking union

AFP, *Brussels*

THE European Commission unveiled Wednesday what it called the "second and final cornerstone" of its ambitious banking union, with proposals for dealing with failing banks.

The Single Resolution Mechanism (SRM) -- viewed sceptically in Germany -- will give the Commission the power to shut down any of the eurozone's 6,000-plus banks, even if the national authorities of the country affected disagree.

The SRM is the second pillar in Europe's banking union alongside the single banking supervisor being set up under the aegis of the European Central Bank.

"The idea is to break the link between the banking crisis and sovereign debt so that we no longer have to call on the taxpayer," EU's Internal Markets Commissioner Michel Barnier, who drew up the new proposals, told a news conference. "We must put an end to that."

Countries have spent vast amounts of taxpayer money trying to prop up struggling banks and that has increased the countries' own debt burden.

Barnier said that "prevention is always cheaper than repair and cure" and having a single banking supervisor would be part of the prevention work.

A single resolution mechanism would provide the necessary set of tools, he said, adding that "well-prepared repair is cheaper and better than when you improvise."

At the end of June, the 28 member states agreed a common set of rules laying down the pecking order for creditors to take losses when a bank needs to be rescued or wound up.

Those rules have yet to be approved by the European Parliament.

The single resolution mechanism will comprise both a resolution board and funds that will click into action once the ECB has sounded alarm on any bank in trouble.

The board -- made up of representatives of the ECB, the European Commission and the national resolution authorities -- will decide how a bank is to be resolved and make recommendations to the Commission.

AFP

EU Commissioner for Internal Market and Services Michel Barnier speaks at a press conference yesterday on the "Single Resolution Mechanism" for banking union at the EU headquarters in Brussels.

The Commission would hold the final decision.

The operations would be funded by mandatory levies on the banking sector, thus alleviating the burden on the public purse, Barnier said.

In extremis, if national public money was still needed, the minister of the country concerned would give his agreement. But this would become the exception rather the rule, Barnier said.

Had such a mechanism been in place five or 10 years ago, it would have been able to cover all bank crises with the exception of perhaps Anglo-Irish, Barnier argued.

Over the next decade or so, the fund could grow to amount as much as 70 billion euros ($90 billion), Barnier said.

The Commission's proposals for the SRM must nevertheless overcome scepticism in Germany which believes such a mechanism is not currently compatible with EU treaties.

Barnier insisted that during his extensive consultations preparing the proposals, he had listened "very carefully to what people tell me about the need for legal certainty. My relations with (German Finance Minister) Wolfgang Schaeuble are very good."

But Barnier insisted the priority was to act within the current premises of the treaty and "improve and consolidate" the mechanism if and when treaty changes are deemed necessary.

"We've chosen the current treaty basis. We can't await such a change to solve our problems. We have to tackle them now. That's our responsibility," he said.

Deeper down, Germany is unhappy with the idea of a single resolution fund because its banks would be required to foot the bill for the rescue or resolution of banks in weaker eurozone countries.

Giving the Commission the ultimate say is therefore causing rumblings in some member states.

Another problem is that the resolution mechanism itself is to come into effect in 2015, while the rules it will be empowered to apply will not be in place until 2018.

And the resolution fund itself will need years before it is fully funded.

Asian central banks vary on policy review moves

Reuters, *Jakarta*

ASIAN central banks are expected to adopt divergent strategies to protect their economies against weaker growth and scary foreign capital outflows as they hold policy reviews amid a sea-change in international markets.

For much of Asia, the prospect of the U.S. Federal Reserve winding down its easy money policies has removed the headache of asset-inflating inflows, though the speed at which funds have pulled out has created a whole new set of worries for some.

Central banks in Indonesia and India, which rely on foreign capital to fund current account deficits and are therefore more vulnerable to portfolio outflows, have been forced to intervene in the market to defend their weakening currencies.

Bank Indonesia is expected to hike its benchmark policy rate for a second consecutive month at a policy review on Thursday, and could announce surprise measures to counter surging inflation, a declining rupiah currency and falling foreign exchange reserves.

"The limelight is certainly on Bank Indonesia (BI), especially following the recent comment that they have a mix of policies in their toolbox to cope with the recent spike in inflationary pressures," said Gundy Cahyadi, economist at OCBC in Singapore.

But for other Asian central banks, the situation is not as dire as capital outflows and inflation remain manageable.

They are unlikely to immediately tighten broadly easy policy settings in response to the changing Fed outlook.

Thailand's central bank on Wednesday kept its policy rate unchanged at 2.50 percent as expected, after a recent cut to support growth and curb capital inflows.

Malaysia and South Korea were expected also to hold policy rates steady when their monetary policy committees meet on Thursday.

"Asian central banks are generally mercantilist and will pick a weaker currency and higher growth," said Sean Yokota, head of Asian strategy at SEB. "The pace (of a currency's decline) may be open to debate, but the direction is fine with them."

In Indonesia, however, Yokoto noted that inflation was likely to head above 8 percent by year-end. Even if that was not sustained, he said, interest rates at 6 percent and 5-year government bond yields at 6.7 percent were too low.

Beyond raising its benchmark rate, BI could also hike its overnight deposit facility rate (FASBI) after the central bank indicated it would "strengthen its policy mix" at this week's meeting, analysts said.

BI has also hinted it could soon introduce measures like tradable term deposits and an auction market in foreign exchange swaps to stem the flow of foreign funds.

Analysts believe Indonesia should also introduce macroprudential measures such as a holding period for exporters' profits to slow declining foreign exchange reserves, which dropped to a two-year low of $98.1 billion in June.

REUTERS

The Reserve Bank of India logo is pictured outside its head office in Mumbai.

Indeed, Bank Indonesia last month became the first Asian central bank to hike its benchmark rate since 2011, and was widely expected to follow with another 25-basis-point move to 6.25 percent on Thursday.

"Countries that run current account deficits tend to be more vulnerable because of the pressure in the balance of payments. As a whole though, external liquidity risk in the region remains manageable at least for now," Cahyadi said.

Indonesian policymakers were not alone in reviewing their full range of tools in the face of the biggest inflection point for investors since 2008.

India's regulators on Monday toughened rules for derivatives trading in the currency market in a bid to arrest the steep decline of the rupee, which fell to a record low against the dollar this week and is emerging Asia's worst performer this year.