

# CAMBODIA ADOPTS CONTROVERSIAL UNION LAW

**PHNOM PENH:** Cambodia's parliament yesterday approved a controversial draft law regulating trade unions, to the dismay of labor activists who fear it will curb their ability to protect garment workers — the backbone of the economy.

The government of strongman Prime Minister Hun Sen says the law is aimed at regulating the country's 3,400 trade unions. But unionists and international human rights groups say it will dilute the power of labor groups in a sector still rife with abuse.

Around 700,000 factory workers form the bedrock of Cambodia's \$7 billion textile industry, which supplies brands including Gap, Nike and H&M. Critics have expressed particular alarm at provisions forcing unions to report their finances to the government each year as well as granting authorities further powers to close down labor groups.

"The government wants to restrict our

rights by creating this law," Ath Thorn, president of the Coalition of Cambodian Apparel Workers' Democratic Union, told AFP. "The law will limit our work... and employers can request for the dissolution of unions or find ways to block unions from protesting," he added.

The draft law still needs approval by the Senate but its passage is a near-forgone conclusion since the upper house is dominated by ruling party lawmakers. Two labor activists were injured yesterday morning during scuffles with authorities outside parliament.

Hun Sen, who has ruled Cambodia for more than three decades and tolerates little dissent, has frequently clashed with unions. Influential garment factory owners want to restrict the number of unions, blaming them for rocky labor relations that they say threatens to undermine a lucrative sector.

Parliament also approved a rare cabi-



**PHNOM PENH:** A Worker Union member, Suth Chet, 36, center, is beaten by district security personnel during a protest rally at a blocked street near National Assembly. — AP

net reshuffle by Hun Sen, a move he described as a "necessary measure" as he gears up for local polls next year and a general election in 2018. Hun Sen has surrounded himself with a coterie of loyalists who are rarely moved. In total 26 officials were promoted or reappointed to other portfolios while two ministers were removed.

Among those reshuffled were Hor Namhong, Hun Sen's close ally who had been foreign minister for 18 years. He was replaced by telecommunications minister Prak Sokhon, though Hor Namhong will remain a deputy prime minister. Analysts say the reshuffle is an attempt to halt Hun Sen's waning popularity ahead of upcoming polls. "The coming elections are certainly on his mind," analyst Ou Virak told AFP. Opposition politicians accuse Hun Sen's party of rigging the 2013 elections in their favor, a charge they deny. — AFP



**NEW YORK:** The statue of George Washington on the steps of Federal Hall faces the facade of the New York Stock Exchange. — AP

## KASHKARI TAKES ON WALL ST FROM FARM-RICH FED REGION

**NEW YORK:** From his seat atop the Fed's smallest bank, in a region known for fracking, farming and ranching, Neel Kashkari wants to make sure he's heard well beyond the northern plains. Since becoming president of the Federal Reserve Bank of Minneapolis this year, the 42-year-old Kashkari has gone on a media blitz, visiting nine major media outlets in two days and creating a Twitter hashtag to promote his view that the biggest US banks should break up.

On Monday, he will host a symposium at his bank in downtown Minneapolis entitled "Ending Too Big To Fail," giving fierce critics of Wall Street's behemoths a platform to present their views. Becoming the Fed's bad cop is the latest ambitious move in a high-flying career that has taken Kashkari from Goldman Sachs Group Inc, to the Treasury Department at the height of the financial crisis to a run for California governor.

"He's trying to swing way above the weight of the Minneapolis Fed. He didn't come from California just to rub elbows with ranchers in Helena," said Dick Bove, an analyst with Rafferty Capital Markets, referring to the capital of Montana, a state in the Minneapolis Fed's region.

Kashkari's critics argue he is using the "too big to fail" issue as a springboard to higher places of authority. He says he's only working toward prudent financial regulation. Kashkari's crusade kicked off with a Feb. 16 speech, in which he compared the aftermath of large bank failures to that of a nuclear reactor meltdown. He told Reuters a few days later that the symposium is intended to come up with a plan to prevent big banks from receiving big taxpayer bailouts, the way they did in 2008. That's a subject he knows intimately.

At Treasury, he ran the Troubled Asset Relief Program, which infused \$700 billion into banks, automakers and insurers. The bailout played an important role in stabilizing the financial system during the crisis, but remains controversial. Kashkari now says "bolder, transformational options" are needed beyond a post-crisis regulation that requires big banks to outline plans to unwind themselves if they fail - known as their "living wills."

Kashkari launched a social media campaign with the hashtag #EndingTBTF to promote his event and encourage the public to contribute ideas. He has amassed 10,300 followers on Twitter, where his retweets of economic news mix with musings on the superiority of Yuengling beer and photos of his dogs.

### Media magnet

Kashkari is not the first Fed official - even within the Minneapolis Fed - to argue that much more should be done to prevent future bailouts of big banks. Gary Stern, who led the Minneapolis Fed for 24 years, was vocal about the problems created by big banks. Dallas Fed President Richard Fisher has also called for breaking them up.

There are plenty of critics outside the Fed, too. Democratic presidential candidate Bernie Sanders bashes Wall Street at every campaign stop. Even former Citigroup Inc CEO Sandy Weill, who created the so-called "universal" banking model in the 1990s, now says big banks are better off broken up. Kashkari, however, may have more of a knack for bringing mainstream attention to a subject long the purview of policy wonks and left-leaning politicians.

During and after his time at the

Treasury, he was the subject of admiring media profiles - including a photo spread in the Washington Post that showed him splitting logs and building a shed at a cabin in rural California. With his clean-shaven head, thick brows and intense gaze, he made it into People Magazine's 2008 "Sexiest Man Alive" issue alongside Prince Harry and actor James Franco.

As the Republican challenger to California Governor Jerry Brown in 2014, he spent a week on the streets of Fresno pretending to be homeless and posted a YouTube video about it. "Up against a hugely popular incumbent, he had to find ways of getting attention," said Claremont McKenna College politics professor Jack Pitney. He lost to Brown by 20 percentage points.

The son of Indian immigrants, Kashkari earned an MBA from the Wharton School at the University of Pennsylvania and joined Goldman Sachs. In 2006, he followed former Goldman CEO Hank Paulson to the Treasury Department, where Paulson served as secretary under President George W. Bush. Between that stint and his gubernatorial run, he spent a few years at bond-fund giant Pacific Investment Management Co.

As Minneapolis Fed president, Kashkari oversees a bank with \$35 billion in assets in a region where oil, timber, farming and ranching are among the important industries. Although none of the U.S. banks considered "too big to fail" are based there, Kashkari said his staff highlighted the issue as a top priority. Kashkari's position puts him at odds with peers who have spent years crafting rules to make the financial system safer. In coming weeks, a group of regulators is expected to release the latest information on banks' "living wills."

### 'Criticize the messenger'

Regional Fed presidents are arguably less influential than their Washington-based colleagues. Most vote on monetary policy once every three years, while Fed governors have a permanent vote on the policy-setting committee.

Fed presidents typically have even less sway on regulatory matters. Their bank supervisory powers are largely limited to carrying out policies set by Washington. When Fed presidents have raised alarms on regulatory issues, they have rarely budged national policy.

Ten current and former regulators, bankers and lobbyists who spoke to Reuters said they believe Kashkari's "too big to fail" campaign is motivated by his career ambitions. They asked not to be named because they did not want to damage relationships with Kashkari. In his February interview with Reuters, Kashkari said he had no motive beyond responsible regulation. On Friday, he said critics are trying to distract from the real issues he is addressing at Monday's event.

"The Wall Street critics can't argue with me on the substance of too-big-to-fail, so they criticize the messenger," he told Reuters in an email. "I welcome their criticisms because they are an implicit admission that I am right." Kashkari has plenty of supporters, too. They believe his experience in banking, regulation and politics makes him a credible advocate. "As a moderate, he may be offering some sort of aid and comfort to the notion of breaking up the banks," said Jim Angel, a professor at Georgetown University's McDonough School of Business. — Reuters

# THE OFFSHORE ACCOUNTS USED TO HIDE WEALTH, AVOID TAXES

## 11.5 MILLION RECORDS FOUND HELD OFFSHORE HOLDINGS

**TOKYO:** An investigation published by an international coalition of more than 100 media outlets, based on 11.5 million records of offshore holdings, details how politicians, celebrities and other famous people use banks, law firms and offshore shell companies to hide their assets.

The International Consortium of Investigative Journalists, a nonprofit organization based in Washington, said an anonymous source provided internal documents from the Panama-based law firm Mossack Fonseca, one of the world's biggest creators of shell companies.

Ramon Fonseca, a co-founder of Mossack Fonseca, said the documents were obtained illegally by hacking but confirmed that many of them were real. He denied his firm has engaged in any wrongdoing. This is a look at offshore accounts and how they are used:

### What are offshore accounts?

Offshore bank accounts and other financial dealings in another country can be used to evade regulatory oversight or tax obligations. Companies or individuals often use shell companies, initially incorporated without significant

assets or operations, to disguise ownership or other information about the funds involved.

### Where are most offshore accounts?

Panama, the Cayman Islands and Bermuda are among more than a dozen small, low-tax locations that specialize in handling business services and investments of non-resident companies.

### Legitimate uses for offshore accounts:

Companies or trusts can be set up in offshore locations for legitimate uses such as business finance, mergers and acquisitions and estate or tax planning, according to the global money laundering watchdog, the Financial Action Task Force.

### Illicit uses of offshore accounts:

Shell companies and other entities can be misused by terrorists and others involved in international and financial crimes to conceal sources of funds and ownership. The ICIJ says the files from Mossack Fonseca include information on 214,488 offshore entities linked to 14,153 clients in 200 countries and territories.

### Efforts to crack down on financial havens:

The Financial Action Task Force and other regulatory agencies publish assessments identifying weaknesses in enforcement of anti-money laundering and counter-terrorism financing efforts of specific countries and territories. Financial and legal professionals get training on how to spot potential violations, since in some cases lawyers and bankers are unaware they are handling illicit transactions. The EU has stepped up efforts to crack down on tax avoidance by multinational corporations.

### Past scandals over offshore accounts:

Banking secrecy laws can obscure offshore financial dealings. But the disclosure of other leaked documents by the ICIJ and other organizations in late 2014 drew attention to sweet tax deals offered by the tiny European country of Luxembourg to multinational companies and ultra-wealthy individuals. In the 1980s, the Bank of Credit and Commerce International, an international bank founded by a Pakistani financier, was implicated in wide-scale money laundering and other illegal financial dealings. — AP



**PANAMA CITY:** A marquee of the Arango Orillac Building lists the Mossack Fonseca law firm. — AP

# AUSTRIAN WATCHDOG INVESTIGATES TWO BANKS AFTER PANAMA LEAK

**VIENNA:** Austrian regulators are investigating whether two banks named in an international data leak followed procedures to prevent money laundering, one of the firms having attracted attention for its lending to a confectionery company owned by Ukraine's president.

The leaked "Panama Papers" cover a period over almost 40 years, from 1977 until last December, and allegedly show that some companies domiciled in tax havens were being used for suspected money laundering, arms and drug deals and tax evasion. Two Austrian media groups that were among the more than 100 news organizations that jointly investigated the documents' contents identified Raiffeisen Bank International and Hypo Landesbank Vorarlberg as companies named in the trove.

"We are verifying whether the banks did their work thoroughly beforehand," a spokesman for Austrian financial markets regulator FMA said, citing required checks on matters such as the purpose of transactions and people involved. "We are verifying that in the course of an on-site inspection," he said, adding that the FMA can refer matters to the criminal authorities if it suspects wrongdoing. The Austrian news organizations involved in the investigation, broadcaster ORF and weekly newspaper Falter, reported a connection between Raiffeisen and the Roshen Company owned by Ukrainian President Petro Poroshenko.

The bank had made a loan of \$115 million to Roshen secured against the holdings of a company based in the British Virgin Islands, Linquist Holdings Limited, ORF and Falter reported.

Raiffeisen said it had complied with legal provisions on the prevention of money laundering but could not comment on specific cases because of banking secrecy rules. There were also limits to its ability to carry out checks, it said in a statement.

"As we are not a government institution, a thorough screening of customers and transactions is not possible," said Raiffeisen, which

according to ORF and Falter performed similar transactions involving Linquist and other offshore firms. ORF said Hypo Landesbank Vorarlberg-majority-owned by the province of Vorarlberg, which borders Liechtenstein and Switzerland-was connected to offshore firms through trustees in Liechtenstein and much of the money trail led to Russia.

"At no point have we violated money-lau-

ndering stipulations or sanctions, as legal stipulations are taken very seriously and followed very fastidiously in our company," Hypo Vorarlberg said in a statement. The criminal investigations bureau, a branch of the Interior Ministry, and the Austrian prosecutors' office in charge of economic crimes and corruption said they had taken no action so far as there was not enough concrete information. — Reuters

## EU BACKS COMMISSIONER OVER WIFE'S 'PANAMA PAPERS' LINKS

**BRUSSELS:** The European Commission defended yesterday EU climate commissioner Miguel Arias Canete, saying he appeared to have obeyed its rules by disclosing his wife's links with a firm caught up in the "Panama Papers" scandal.

Overnight, a media probe into millions of documents leaked from a Panama-based law firm exposed a tangle of financial dealings by global elites, from aides of Russian President Vladimir Putin to relatives of Chinese President Xi Jinping, sports celebrities and screen stars.

Among others, the International Consortium of Investigative Journalists said Canete's wife, Micaela Domecq Solis-Beaumont, was linked to Rinconada Investments Group, a Panama company registered in 2005. European Commission spokesman Margaritis Schinas, asked about the Panama connection, told reporters that everything seemed to be in order and that Canete had informed the EU's executive arm of his and his wife's business interests when he took up office in 2014. "His declaration appears to be in compliance with the code of conduct for commissioners as it includes all the professional activities and financial interests of the commissioner's wife that would pose a potential conflict of interest," Schinas said.

"As far as the company (Rinconada) referred to

in the news is concerned, according to the information given by the commissioner, this company has been inactive for several years before he took office in November 2014," he added. In his latest declaration of interests, dated July 14, 2015, Caneta lists two companies owned by his wife-Agricola Micaela Domecq and NOVA 19 S.L.

Rinconada is not listed on the document which can be seen on the European Commission's website under the entry for Canete. The Panama law firm at the heart of the document leak, Mossack Fonseca, listed Rinconada as inactive in January 2010, the ICIJ said on its website.

Schinas, asked about the reports about Canete's wife, said the commissioner had informed Commission head Jean-Claude Juncker of the situation at the same time as he had replied to ICIJ journalist questions on the subject. Offshore financial dealings are not illegal in themselves but may be abused to hide assets from tax authorities, launder the proceeds of criminal activities or conceal misappropriated or politically inconvenient wealth. The European Commission has made it a priority to crack down on tax avoidance under Juncker, who was himself snared in charges that he had allowed sweetheart tax deals with major companies during his 19 years as Luxembourg prime minister. — AFP