

# The banks' lost credibility

GLOBAL ECONOMY



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and continuing losses at some banks due to ill-conceived investments. Each of these undermines confidence in banks, multiplies the calls for more regulation, and makes the general public skeptical and suspicious about banks, bankers, and their motives. Untrustworthy banks are the last thing that's needed if we are to overcome the crisis.

The manipulation of inter-bank inter-

essentially subject to manipulation. Thus, investors, borrowers and lenders around the world use it because they trust those 20 banks that participate in it. Confidence then is everything. If shattered, there goes the Libor.

Ironically, banks allegedly underreported their rate expectations during the worst years of the financial crisis in order to signal to the market that they could borrow at relatively low rates and

not only to the reputation of HSBC itself, which faces losing its U.S. banking license, but to the entire banking community.

Bank losses caused by traders and other employees routinely characterized as "rogue" are also undermining the confidence of regulators and the general public in the banks' ability to follow prudent practices and police themselves internally. The recent losses at JPMorgan clearly indicate that little has changed since 2008, when the world realized the massive repercussions of subprime losses throughout the global financial sector.

These and other confidence-busting events come at a very delicate time, especially in Europe. After years of credit drought and economic recession, eurozone banks cannot afford any further deterioration of their reputational capital. In Spain — the present epicenter of the euro crisis — banks did not participate in rate fixing, money laundering or exoteric investments.

Still, they face two continuing problems: a lack of sufficient capitalization and, for some of them, a damaged reputation due to their close relationships with local and regional governments. In banking, confidence is everything. And without trustworthy banks, the market economy can't operate.

**After years of credit drought and economic recession, eurozone banks cannot afford any further deterioration of their reputational capital.**

est rates is particularly harmful. The Libor happens to be the most important one because it has become the reference rate for so many deposits, loans, and derivative products. Each day, at 11 a.m., a group of large banks share their estimates and the British Bankers Association uses them to calculate the rates for 15 loan terms ranging between overnight and one year in 10 different currencies. Given that the rate is not based on any transaction but on the banks' expectations for the day, it is

thus boost confidence in their credit-worthiness. The practice has obviously backfired, not without undermining confidence throughout the global financial system.

Money laundering at HSBC, certainly the world's most global bank, is a second episode that further taints the reputation of banks and bankers around the world. The revelations contained in a report by the U.S. Senate's Permanent Subcommittee on Investigations are massively damaging

Banking is an essential activity in market economy and it is one that rests on credibility. Banks collapse when depositors, customers, investors or regulators withdraw their confidence. The present crisis was triggered to a large extent by banking practices of dubious propriety from the purely financial point of view, with some of them crossing the line into illegal territory. Banking, after all, is an activity based on the "honor system." No bank can function properly without honorable bankers one can trust.

Banks have actually become a major impediment to economic recovery, especially in the Eurozone. We are witnessing three especially troubling and troublesome episodes — the manipulation of the London interbank offered rate (Libor), money laundering

# 'Hyundai Expressway'

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West Point, Georgia, the Hyundai Expressway.

Hyundai is not the only Korean company making news in Alabama. The June 5, 2012 issue of the Mobile's daily newspaper, Press-Register, had a lead article in the business section titled, "Koreans deny interest in TK plant." TK refers to the ThyssenKrupp Group of Germany. I was particularly interested in the article because POSCO is one of my favorite companies in Korea and I worked as an economic consultant to

I know that you are getting a little impatient and want to know what was in the Press-Register article. According to the article, "German weekly WirtschaftsWoche reported that South Korea's POSCO has shown interest in ThyssenKrupp's mill in Alabama." The article also states that in response, "A South Korean steelmaker is denying interest in ThyssenKrupp's carbon steel plant in Calvert (which is in Mobile) after a German newspaper named the firm as a

Incidentally on July 2, Airbus, which is a subsidiary of the European Aeronautics Defense and Space Company (EADS), announced that they would manufacture the popular A320 airplanes in Mobile (Alabama), making Mobile only the second such plant outside France. The other plant is in Tianjin (China).

Let me go back to the Hyundai Expressway and make one suggestion to Hyundai, Korea Tourism Organization, or anyone who might be interested in this turn of events. I think we need a Hyundai Welcome Center on the Hyundai Expressway near the border of Alabama and Georgia. That spot is right in the middle between Montgomery, Alabama and Atlanta, Georgia with heavy traffic.

The Hyundai Welcome Center should preferably be decorated in a classic Korean style, serve Korean food as well as American food, display many brochures for potential visitors to Korea, and hand out a \$500 coupon for Hyundai and Kia cars subject to the condition that only one coupon can be applied for each car that coupon-holders may buy.

If anyone with money in Korea is interested in the project but does not know how to go about it, all he or she has to do is to ask about the EB-5 visa program. Will the venture be successful? I have no doubt that it will.

**If anyone is interested in Hyundai Expressway but not sure how to go about it, all he should do is to seek a U.S. immigration visa for investors.**

TK in Mobile. ThyssenKrupp is one of the world's largest technology groups with more than 190,000 employees in about 700 companies. On May 11, 2007, TK selected the 3,700-acre site in Mobile as the location of its new plant. It was completed in 2011. The TK mill in Mobile produces high-grade carbon steel and stainless steel for sale largely to the North American car industry. The total cost of building the Mobile plant was \$5 billion.

potential suitor." The plant has its own dock along the Alabama River that flows directly to the Port of Mobile that has regular shipping services to Incheon, Gunsan, and Masan in Korea and to potentially the rest of the world. The plant is only about 150 miles from Hyundai Motor America in Montgomery. The latest news is that TK hired Goldman Sachs and Morgan Stanley to review options for their plants in Mobile and also in Brazil.

## Woman in charge

# Big steps, small footprints



**Chae Eun-mi**  
Managing director of FedEx Korea

started to suggest a new management direction that focuses on preserving the environment while strengthening eco-friendly business practices. Companies can't just pay lip service; they need to demonstrate that they are reducing environmental pollution and protecting nature. A company's ethics and culture should be the foundation for any environmental protection activities in which the company is involved.

An example of a company that has incorporated ethics and culture into its environmental protection activities is FedEx — it attempts to connect businesses all around the world with access to new, exciting markets through innovative solutions that are credible, sustainable and long-lasting.

We think that FedEx has set a working model for customers by integrating responsible environmental practices into its daily operations and reducing its footprint where the environmental impact is greatest. FedEx is connecting businesses around the world responsibly and sustainably through its electric and hybrid electric fleet of more than 410 vehicles and facility enhancements, such as the state-of-the-art, solar-powered hub in Cologne, Germany.

The public is increasingly influenced by whether or not they perceive a company to be socially responsible. As such, companies are striving to establish themselves as caring about their community and the world. One concept that many are embracing is sustainability management.

The idea behind sustainability management is simple. A business should put every effort into balancing the three Ps — planet, profit and people. A company's responsibility toward the planet should not be taken lightly as it can potentially affect the whole of society, not just the immediate surroundings.

In other words, protecting the environment has become a critical factor for a company's survival strategy and a key measuring stick for the overall assessment of a business.

According to a first-of-its-kind empirical study conducted in 2010 by the Yale Center for Environmental Law and Policy, it is the responsibility and opportunity of the private sector to drive the path towards a sustainable, global marketplace.

Nowhere is this more encouraging than in the subset of high growth markets such as China, India and Mexico, which have experienced trade growth while also decreasing greenhouse gas emissions per unit of GDP. Their success offers tremendous potential for the more than 20,000 multinational companies based in these developing markets.

Multinational companies have

You probably have never heard of the "Hyundai Expressway." That is because I coined the name. Hyundai Motor America is located in Montgomery, Alabama, while Kia Motors America is located in West Point, Georgia. The distance between these two plants is approximately 100 miles (around 160 kilometers) along Interstate 85. If you look around carefully while you are driving along this interstate highway, you will notice almost 10 plants with names that I am sure are Korean, such as Ajin and Mando.

Combined, the total number of employees hired directly by Hyundai in Alabama, Kia in Georgia, and their supplier firms between the two is about 6,000. Including the multiplier effect, the total number of employees of the Hyundai complex along I-85 easily exceeds 10,000. This is the reason why I call the portion of I-85 between Montgomery, Alabama and

오늘 오전, 바람 잘 날 없는 김고독 사장의 경영 고민

## 마는 사람은 많은데, 날 도와주는 사람은 왜 이렇게 없나?

#1: 내가 사람들은 좀 많이 알고있지? **비밀이 뭐죠?**

#2: "여기에 들어있는 사람들만도 수 천명이야. 그제 다이 모임 저 모임 할 것 없이 열심히 얼굴을 비춘 덕이지."

#3: 이만 그가 신상품 설명회를 주최하며 사람들을 초대했다. 최소 수 백명은 올 거라고 예상한 그는 큰 호텔에서 가장 넓은 장소를 빌렸다.

#4: 그런데 이게 웬일인가. 설명회장에 모인 사람은 고작 40명에 불과했다. 사람을 많이 알고 있는 김 사장. 대체 뭐가 문제였을까?

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